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British troops land on South Georgia

British troops have landed on South Georgia, the island 800 miles east of the Falklands which was seized by Argentina on April 13.

The British Defence Ministry said the submarine was leaking and listing to port. Mr Nicanor Costa Mendez, Argentina's Foreign Minister, said on arrival in New York yesterday that he thought technically Britain and Argentina were at war.

Officials in Whitehall repeated that serious difficulties remained in the search for a peaceful settlement following talks between Mr Haig and Mr Francisco Pizarro, the Foreign Secretary, in Washington at the end of last week.

There have not been any reports so far of British troops having landed. It was thought likely that the assault on South Georgia would impose new strains on all-party support for Mrs Thatcher's Government.

NEWS SUMMARY

GENERAL Families flee fair as blaze kills 34
BUSINESS Big loss forecast by BR for '82

At least 34 people were killed and 60 were injured yesterday when fire swept through an antique exhibition in Todt central Italy.

Sinai returned Israeli troops pulled out from the last sector of Egyptian territory in the Sinai desert, ending 15 years of occupation.

EEC hits out The EEC has condemned Israeli attacks on Palestinian targets in South Lebanon last week and called for urgent peace efforts.

'Cover-up' probe Scotland Yard is investigating claims made in the Observer yesterday that a senior officer covered up evidence of police corruption in London.

Unsporting Los Angeles was attacked in the Soviet Union as unsuitable to host the 1984 Olympic Games because it is plagued by murderers and smog.

Nuclear blast The Soviet Union's strongest underground nuclear explosion has been reported by Swedish seismologists.

Rally violence Troops shot dead at least six people in Jakarta yesterday when violence flared at a rally in the run-up to Indonesia's elections next week.

Bonn reshuffle Chancellor Helmut Schmidt discussed an imminent Cabinet reshuffle yesterday with the Free Democratic Party, his partners in the ruling West German coalition.

Briefly Ferrari drivers Didier Pironi of France and Canadian Gilles Villeneuve came first and second in San Marino Grand Prix.

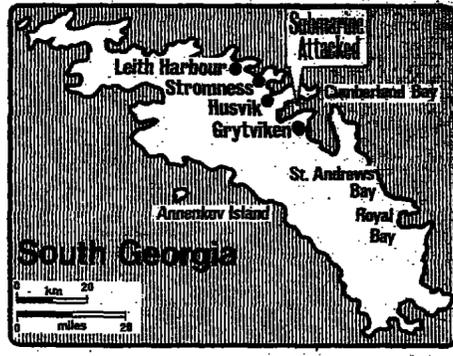
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'Shoot first' ruling raises tension

BRITAIN and Argentina are not formally at war, but Britain's invasion of South Georgia yesterday, and new measures allowing Royal Navy commanders to shoot first in a wide area of the South Atlantic, have greatly heightened military tension.

In the absence of comment from the Defence Ministry it must be assumed that the intention is to capture South Georgia and that further news is being withheld until success can be reported.



South Georgia at this time. The recapture of South Georgia will provide exercise and operational experience for the Marine commandos who have had nearly three weeks at sea, experiencing in the last few days 40 ft waves and winds at 70 knots.

UK concedes it is 'warlike activity'

THE GOVERNMENT yesterday conceded that a state of "warlike activity" exists between Britain and Argentina.

The outbreak of military hostilities is likely to put heavy strains on the all-party support the Government has enjoyed until now.

Arabs discuss aid for Nigeria

ARAB oil-producing states are discussing financial assistance for Nigeria, according to Sheikh Ahmed Zaki Yamani, Saudi Oil Minister.

price of four-star to about 167p a gallon. The pump-price rise will follow more cuts in subsidies oil companies are giving to dealers.

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مكتبة القاهرة

OVERSEAS NEWS

Pym poised to tackle EEC budget wrangle

BY JOHN WYLES IN BRUSSELS

BRITAIN'S Foreign Secretary, Mr Francis Pym, is planning to make his first attempt to resolve Britain's long-running wrangle with its European Community partners over budget contributions.



M. Mauroy: his commitment at issue

Attack on Mauroy sparks row

By Terry Dodsworth in Paris

THE RECENT squabbles within the French Socialist Party over the apparent lack of co-ordination in the Government re-emerged at the weekend when M Pierre Joxe, president of the Socialist Party in the National Assembly, was quoted as criticising M Pierre Mauroy, the Prime Minister, for "delayed ignition."

Programme of reflation urged by ICFTU

BY OUR BRUSSELS CORRESPONDENT

A CALL FOR concerted international reflation based on increased public investment is made today by the Brussels-based International Confederation of Free Trade Unions representing 85m workers in 131 affiliates around the world.

EGYPT HERALDS SINAI RECOVERY

Rift opens over Cairo's return to Arab fold

BY HUSAN HIJAZI IN BEIRUT

WITH EGYPT heralding the recovery of Sinai from Israel yesterday as the dawn of a new era in the Middle East, the Arab world is split on whether Cairo ought to be re-admitted to the Arab fold.

Demonstrations broke out yesterday in several towns on the occupied West Bank of Jordan following a call by Palestinian leaders for protests against the continued implementation of the Egyptian-Israeli peace treaty.

time. Liberation Organisation and Syria.

PLO chairman Yasser Arafat in recent Press interviews indicated that Egypt would return to Arab ranks. However, his second-in-command, Mr Abu Iyad, has voiced criticism of President Hosni Mubarak in speeches during the past few weeks.



Yasser Arafat: Egypt will return to ranks

Disorder amid the border post ceremonial

By Anthony McDermott near Rafah, North Sinai

ISRAEL'S return of Sinai after nearly 15 years of occupation was formalised yesterday with the raising of the Egyptian flag by the Governor of Northern Sinai, Major-General Youssef Sabri Abdallah.

Warsaw's imports from West 'must continue'

BY CHRISTOPHER BOBINSKI IN WARSAW

POLAND'S IMPORT dependence on the West cannot easily be changed in the short term, despite the Western freeze on credits.

Mr Gwiazda, of course insisted that the policy of switching trade towards Comecon must continue but his remarks contrast with earlier official statements that closer links with the socialist bloc would help resolve Poland's economic crisis.

Editors at the Polish news agency, PAP, said the text of the speech would be released Sunday but officials declined to elaborate.

Schmidt to seek Kadar's views on Poland

BY LESLIE COLTIN IN BERLIN

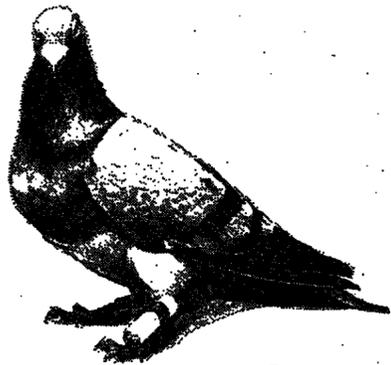
HUNGARY'S leader, Mr Janos Kadar, will become the first leader of a Warsaw pact country to visit the West since martial law was declared in Poland, when he arrives in West Germany tomorrow.

was especially important as West Germany had come under growing U.S. pressure to revise its Ostpolitik since President Reagan took office.

forces in the Polish Communist leadership will prevail, and thus justify its own refusal to take harsh measures after the Polish military takeover in December.

In contrast, a group of young concertgoers became too noisy and enthusiastic in their chanting and had to be ejected so that the governor could speak.

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Bank of Italy opposes devaluation medicine

BY JAMES SUXTON IN ROME

THE BANK OF ITALY has said it is strongly opposed to devaluation as a way of improving Italian competitiveness and reducing the trade deficit.

effect, unless it was accompanied by harsh measures to reduce demand.

Vietnam drops key economic planner

By Jonathan Sharp in Bangkok

VIETNAM announced a sweeping Cabinet reshuffle at the weekend. The most notable casualty was the key economic planner, Nguyen Lam, who has been an advocate of pragmatic policies involving incentives for workers and farmers.

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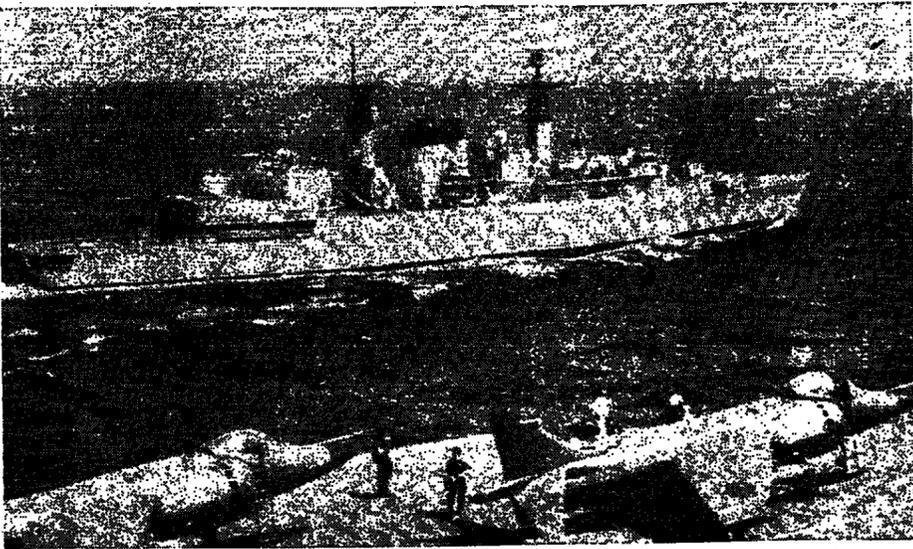
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THE FALKLANDS CRISIS

ECONOMY TAKES BACK SEAT

Buenos Aires remains confident

BY JIMMY BURNS AND ANDREW WHITLEY IN BUENOS AIRES



En route to the Falklands: The destroyer Broadsword and the carrier Hermes with Harrier jets on the flight deck.

Car horns sound in support

BY JIMMY BURNS IN BUENOS AIRES

GROUPS of Argentines converged on Buenos Aires' May Square, yesterday afternoon, following news of the British attack on South Georgia. In what has become a familiar sight, whenever the Falklands crisis has reached a new peak, cavalcades of flag-docked cars and trucks swept around the town centre breaking the normal Sunday quiet with frenetic horn blasts. News of the British action had trickled slowly into Buenos Aires. The British Ministry of Defence had given the news of the helicopter attack in the early hours of Sunday, but for most of the day mention of the incident had been kept from the

Argentines by an increasingly controlled media. Radio stations yesterday afternoon were still conveying a sense of "everything much as usual." Most reports were taken up with news of football and car-racing events. The Argentine military regime is apparently intent on portraying Britain as violent aggressor, while leaving the Argentines to believe in themselves as innocent victims. The superficial calm, however, is becoming increasingly difficult to maintain and for most of the last week a war atmosphere has been growing. In private conversations, Argentines reflect a mix of tension and confusion, as they try to decipher the news they are

allowed to hear. Argentina is a country of high inflation, even in peacetime, but, as one housewife put it: "Recent price increases have been more dramatic than usual." Items, such as sugar, coffee and dairy products, have increased by between 30 and 100 per cent over the last few days. A new decree has given the armed forces first choice on the purchase of all goods. In schools, children are singing hymns to the "Malvinas" (Falklands) and contributing bars of chocolate to the war effort. According to some reports, some teachers have scrapped Shakespeare from the list of "approved" writers. Another casualty of the crisis

has been "Coming Home," a U.S. film critical of the Vietnam War, which has been banned for being anti-militarist. A curious survivor has been the award-winning film, "Chariots of Fire," which traces the fortunes of two British Olympic gold-medallists. As a comment on the stubbornness, arrogance, courage, and the other pitfalls and virtues seen here as British patriotism, "Chariots" has taken on a special meaning. Judging by the blackout of news yesterday, except for items channelled through the military junta, it would seem that the Government has already taken steps to initiate a national mobilisation plan.

"THE PEOPLE—united—will never be defeated." This slogan, the adopted battle hymn of the Peronists who once dominated the politics of Argentina, is not quite the one the present military rulers would have chosen to symbolise their determination to stand firm in the Falklands crisis. But it accurately captures the popular mood after three weeks of negotiations. In this short time, government in Argentina has been surrendered into the hands of the military to a greater extent than at any time since the military coup in 1976. Civilian Cabinet Ministers have been reduced almost to the status of pawns, forced to fall into line behind the main players.

Swept up by the popular backing for the invasion the civilian ministers have had no choice but to do what the military demands of them. For their part the military authorities—the uneasy group of generals and senior officers who make up the junta—appear unworried by any of the economic pressures that are crowding in on the country.

For now Argentina is governed by "military logic" and the present signs are that it is a logic which allows very little room for further compromise. The economic pressures on the Government are considerable. The shadow of a financial crisis has steadily extended: British sanctions could escalate and shatter Argentina's ability to borrow. Additional military spending involved in the Falklands operations has forced major modifications in the Government's monetary and exchange policies and threatened the anti-inflation drive of Sr Roberto Alemann, the Finance Minister. Yet last week Sr Alemann defiantly published a draft budget largely unchanged from one he had put together before

the invasion. Simultaneously, the occupation and the consolidation on the islands demanded the co-ordination of the army, navy and the airforce. The ease with which this was achieved owes much to President Leopoldo Galtieri's personal standing within the military. During his meteoric rise to power he secured not only the allegiance of the five army commanders, but the personal friendship and trust of Admiral Jorge Anaya, the Navy Chief, and Brig Gen Lemi Dozo, the newly promoted head of the Air Force.

However this public unity should not be exaggerated. The final plans for the invasion were drawn up at a time when Sr Alemann—until then widely regarded as highly influential and de facto Prime Minister—was in Colombia attending a meeting of the Inter-American Development Bank.

Sr Nicanor Costa Mendez is believed to have been equally left in the dark by the military in the final planning stage and reacted angrily to the news of the invasion. Although he had reluctantly concluded that he had reached deadlock with the British, he thought there was still room for an alternative diplomatic solution. But all that is now in the past. The Argentine people will not be asked to give an opinion on what sort of settlement with Britain, if any, is acceptable. Nor will they be asked whether they should go to war to defend their new possession. Congress has been closed since 1975 when the chaotic Government of Sr Isabelita Peron, second wife of the late dictator, declared a State of Siege to deal with Left-wing guerrillas. The political parties, outdated and out of touch with contemporary Argentina, remain banned. Their only purpose at this moment is to act as a Greek chorus.

Mrs Thatcher's call for the 1,800 Falkland Islanders to be able to decide their own destiny through a poll or referendum evokes puzzlement in Argentina. People ask: why do their opinions matter when the honour and dignity of great nations is at stake? The last time Argentines voted for anything was in 1973 when Sr Peron was brought back from exile in Spain on a tidal wave of emotion for the half-remembered good times of the past.

Few Argentines mind or complain about the fact that they were not consulted. They did not expect to be. One who does mind is Sr Perez Esquivel, the Nobel Peace Prize winner and human rights campaigner. While publicly backing Argentina's right to the Islands, he has complained that because of "political authoritarianism," Argentines have not been kept informed.

Yet Argentina is well used to leaders who claim to articulate the popular will in their own person. At the same time it would be a mistake to believe that this unprecedented show of unity automatically means that a compact with the military has been forged. Outside the barracks, none of the top serving officers have any personal popularity or charisma which could be put to a free test. Memories are still fresh of the savage little civil war which pitted today's military commanders against two left-wing guerrilla armies from 1975 to 1979. The disappearance of an estimated 15,000 people out of an urban population of only 15m means that many Argentines have recent personal experience of terror masterminded by their own Government. For the military the Falklands adventure may well have been calculated as a way of submerging the issue once and for all under a flood of patriotism.

Poll shows backing for Thatcher

By Peter Riddell, Political Editor

GOVERNMENT'S HANDLING of the Falklands crisis up till now is supported by the majority of the British electorate according to the latest opinion poll. The Conservative Party's standing has also improved substantially in the last fortnight. The poll of just over 1,000 people was conducted last Friday for the Weekend World television programme, by Opinion Research. Mrs Margaret Thatcher's policy of diplomatic efforts backed by the threat of the use of force was strongly supported by 62 per cent of the sample and quite strongly supported by 17 per cent. Only 11 per cent were opposed. These are virtually identical to figures published a fortnight ago. Nearly half of those interviewed were satisfied with the Labour Party's response, with 30 per cent dissatisfied. After eliminating "don't know's" the poll showed a 42 per cent support for the Conservatives, compared with 37 per cent a fortnight ago. Labour support was 35 per cent, with the SDP/Liberal Alliance share at 23 per cent. In general, Labour supporters appear significantly less willing to accept casualties than Conservative ones. The results are broadly similar to a MORI poll in last Friday's issue of the Economist.

Costa Mendez in U.S. for more talks with Haig

BY REGINALD DALE, IN WASHINGTON

ARGENTINA'S FOREIGN Minister, Sr Nicanor Costa Mendez, flew to Washington yesterday for further talks with Mr Alexander Haig, the U.S. Secretary of State, on the Falklands. Mr Haig was expected to sound out Sr Costa Mendez on U.S. ideas for resolving the crisis. Today, Sr Costa Mendez is due to attend a ministerial meeting called by Argentina, of the 21 signatories of the 1947 Rio Treaty providing for mutual assistance in the event of an attack on any American nation. Action under the Treaty, of which the U.S. is a signatory, can range from diplomatic and economic sanctions to the use of armed force. Last night, it appeared that Argentina had yet to make up its mind on the form of collective support it would seek, although it is considered unlikely that the U.S. would provide Buenos Aires with military help. Sr Nicholas Henderson, the British Ambassador in Washington, said that negotiations were "by no means at the end of the road." But he said that Argentina had not yet put forward an acceptable solution Britain could accept. There would only be serious negotiations when the Buenos Aires Government realised it could not leave its forces on the islands "with impunity." Sr Nicholas said he had no doubt that the U.S. would side

with Britain, if Argentina remained intransigent. Two influential members of Congress, Republican senator Mr John Tower of Texas and Democratic senator Mr Henry Jackson of Washington, appeared to bear him out. Senator Tower, who is chairman of the Senate Armed Services Committee, said that the U.S. should supply intelligence and logistic support to the British task force; but the U.S. should not send the fleet to support the British ships "because they want to do this on their own." People wishing to write to relations serving in the Falklands task force should send letters with name, rank, number and ship, to British Forces Post Office (BFPO) 668, the Ministry of Defence advised last night. Some telegrams have been received but the Ministry has pointed out that the BFPO has no means of sending these. Three British journalists have been remanded in custody by an Argentine judge on charges of espionage. Simon Winchester of the Sunday Times, Ian Mather and Tony Prime, both of the Observer, face up to eight years in prison, officials said. Their defence lawyer can request their release pending trial. The three were arrested two weeks ago on charges of taking photographs of military installations.

EEC BAN ON IMPORTS

Goods may still flow in

BY TERRY POVEY

THE FLOW of goods from Argentina into the EEC may not be affected for several months despite the European Community's import ban that came into effect on April 16. A separate UK embargo has, however, led to an almost immediate cessation of bilateral trade. The reason lies in the difference in the working of the EEC decision from that taken by the UK. Whereas the UK's ban applies to all goods not on board ship before midnight on April 6 that of the EEC allows continued imports of goods covered by existing contracts. All orders destined for the UK should arrive before the end of this month. The EEC ban which is for one month only, is therefore being seen by traders as essentially a political act. Major UK meat importers say that the UK's ban would prevent them importing orders for which letters of credit had already been opened but that this would not be the case throughout the rest of the Community. They add that most of the meat orders up to June are likely to be exempt from the EEC ban. Europe is Argentina's second largest market for meat: in 1981 a quarter of Argentina's chilled and frozen beef—88,000 tonnes valued at \$130m (£68m)—was bought by the EEC member states. In addition almost half of the country's canned beef, worth a further \$230m, went to the Community. Only the Soviet

Union buys more Argentine meat than the EEC. Despite the importance of the meat trade for Argentina it is small in comparison with the EEC's annual total consumption, estimated at 7m tonnes. It is only where beef used for processing that any shortfall will be strongly felt. Before the EEC ban was introduced, traders were already anticipating 1982 would be a difficult year for the processed beef industry. Should the ban continue for long, "the second half of the year is bound to see prices rising," they say. "Alternative supplies of beef for processing would have to be sought as EEC intervention stocks are very low at the present time." Other sources are Brazil, Uruguay, Australia and New Zealand. The need for replacements to supply corned beef in the UK itself may be offset by the fall in demand for all tinned beef since the start of the Falklands crisis. "Consumers seem to believe that all corned beef comes from Argentina and sales have fallen off quite considerably," said one supermarket chain manager. Many supermarkets have taken Argentine-produced corned beef off their shelves altogether. Sales of Argentine hides and leather to the EEC were only worth \$30m last year, with Italy taking the largest share. Very

little by way of raw hides from Argentina enters the UK but some 3m sq ft of semi-finished leather is imported, according to the British Leather Federation. The effect of the ban on this commodity would be "just a ripple for the EEC" with substantial stocks in the Netherlands being used to make up for any shortages over the next one to two months. Although grain exports are Argentina's largest single source of foreign earnings, \$3.2m out of an estimated total of \$9m in 1981, 75 per cent is sold under contract to the Soviet Union so the Community's ban is unlikely to affect either prices or the overall pattern of supply and demand. According to the International Wheat Council only 116,000 tonnes, worth just over \$25m, of wheat was imported in 1980/81 into the EEC and all of this was of the variety used in the production of pasta and went to Italy. Cereal substitutes, the only area of significance in grain sales to the Community—in this case some half a million tonnes of bran worth \$75m a year for animal fodder. Finally although the London futures market has banned deliveries of Argentine sugar the small quantities involved can easily be switched onto other markets, such as that in New York.

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WORLD TRADE NEWS

Boeing 767 order book strong despite recession

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BOEING OF the U.S. remains confident that sales of its new 767 twin-engine medium-range jet airliner will continue to flow in, despite the current recession world-wide and threatened changes in U.S. tax legislation that might make it more difficult for U.S. airlines to buy the aircraft.

Sales of the aircraft to date still stand at 173 firm orders with another 138 on option. The company stresses that no orders for the 767 have been cancelled, although United Airlines has asked that work on 20 aircraft out of its 39 on order be suspended pending clarification of the U.S. tax law situation.

The latter problem stems from efforts by a U.S. Senator to seek the repeal of "Safe Harbour" legislation, which enables an airline incurring losses to sell its tax benefits on new aircraft leases to another, profitable, company outside the airline industry. Last year alone, the U.S. airlines are estimated to have generated \$250m in gains by selling such tax benefits.

This legislation has enabled

several U.S. airlines to order aircraft they might not otherwise have been able to procure.

Any changes in the legislation might well affect future purchases of big jets by U.S. airlines. As a result, Boeing and other aircraft manufacturers are fighting the proposed legislative reform vigorously.

The United decision to seek suspension of work on 20 767s does not at this stage hurt the production line. The aircraft involved are a long way back in the production sequence, and before they fall due for manufacture Boeing hopes the tax legislation uncertainties will have been removed, allowing United to authorise a resumption of work on the aircraft.

In the interim, work on United's first 19 aircraft is moving ahead.

By mid-April, Boeing had produced 13 767s for United and other customers, with another five aircraft in final assembly and a further 20 in major assembly on the Seattle production line.

By the end of this year, Boeing will have rolled out

more than 40 767s, and the production rate will be rising through 1983.

In the test programme, over 1,000 hours of flying had been achieved by mid-April, in close to 900 flights, with five aircraft involved and a sixth about to join the programme.

As a result of the flight tests to date, Boeing has improved the fuel consumption of the aircraft by 4.5 per cent for a 1,000 nautical miles stage length, and has extended the aircraft's available range by 230 nautical miles.

The company is now planning to increase the maximum gross take-off weight from 300,000 lb to 330,000 lb to give more range and/or payload. A further development envisaged is an extended fuselage version to give increased seating capacity.

Although basically a 211-seat aircraft, the 767 already can be configured to seat up to 258 in different seating versions, and with the fuselage extension this could be further expanded.

With the increased take-off weight to 330,000 lb, the 767



Boeing's new 767s get ready to roll out.

would be able to fly non-stop from London to New York or Chicago.

The overall aim of the flight test programme is to win a Certificate of Airworthiness by July, this year, with deliveries to United Air Lines and other U.S. customers starting soon after.

Converted DC-8s face first commercial test

BY PAUL BETTS IN NEW YORK

DELTA AIRLINES, one of the most successful of U.S. airlines, officially launched at the weekend what could become a significant trend in commercial aviation with the roll-out of the first of its converted and re-engineered fleet of 13 McDonnell-Douglas DC-8 long-range, narrow-bodied passenger jets.

The converted and modernised DC-8 is powered by four CFM-56 engines, jointly manufactured by General Electric of the U.S. and Snecma of France. United Airlines, the largest of the U.S. carriers, is also

scheduled to roll-out its first converted and re-engineered DC-8 next month.

Mr Julian May, Delta's engineering vice-president, said the new CFM-56 engines "will result in one of the quietest jetliners ever to enter commercial airline operations."

At the same time, the GE-Snecma joint engine venture is the first to have won U.S. Federal Aviation Authority certification under the FAA's new emission and noise regulations for 1983.

According to Mr Jackson

McGowan, president of Cammacorp, the company in charge of the DC-8 modification programme and a former president of the Douglas Aircraft Corporation, the McDonnell-Douglas division which originally made the DC-8, "the new engine makes the DC-8 30 per cent quieter than the stringent noise limits required under FAA new regulations."

He claimed the engines make the modified DC-8 competitive with third generation jet aircraft. Although the aircraft has been out of production

since the early 1970s, it is still regarded as one of the most durable of the older, narrow-bodied commercial jetliners.

At a time when virtually all major commercial airlines are under increasing financial pressure, the aviation industry sees bright prospects for re-engineering and modification programmes of these first generation aircraft.

The investment savings represented by such programmes are significant. According to Cammacorp, the price in dollars per seat for a new aircraft ranges between \$100,000 and

\$150,000. In the case of the modified DC-8, the dollar-per-seat price ranges between \$45,000 to \$60,000.

Indeed, Cammacorp says it already has 94 firm aircraft modification orders for the 243 potential DC-8 aircraft available around the world for re-engineering.

Moreover, the CFM-56 engine jointly produced by GE and Snecma has already been selected by the U.S. and French air forces for the KC-135 and C-135F tanker re-engineering programmes.

China daily urges controls on imports

By Tony Walker in Peking

CHINA'S leading newspaper called at the weekend for stricter curbs to be placed on imports that were providing undue competition for local industry.

The People's Daily, the Communist Party newspaper, said in a front page editorial that China should import only advanced equipment that was essential and put strict controls on those goods which could be manufactured at home.

The paper mentioned particularly imports of TV sets, radio cassette recorders and wrist watches which have flooded China in recent years, mostly from Japan, Hong Kong and Taiwan.

This is the second time in less than a week that the paper's newspaper has expressed strong protectionist sentiments in its columns.

Last Monday, the People's Daily quoted officials in Shanghai as saying that, while China continues to import large numbers of passenger vehicles, the country's main car manufacturing plant in Shanghai cannot get sufficient funds to modernise.

An official in the motor industry in Shanghai pointed out that the import of 16,384 passenger vehicles into China in the first 10 months of last year was equivalent to more than four times total investment in the Shanghai plant.

In the same story, the manager of the Shanghai Watch Company was quoted as saying that the import of 5m watches into China annually was making things difficult for local industry.

The watch company official called for "laws limiting imports of consumer goods" and opposition to "blind faith in foreign things."

Another example of undue foreign competition given in the same story was that of the Shanghai Computer Company which is now having to compete with highly sophisticated imported products.

An official of the computer company disagreed with the policy which allows foreign-made components to be assembled under licence in China as this was "equivalent to opening the Chinese market to foreign businessmen, and those who would profit most would be foreign firms."

The People's Daily editorial at the weekend indicates strong sympathy at senior Government levels for the plight of backward Chinese enterprises which are finding it almost impossible to compete with imports.

However, the party newspaper sounded a note of caution. "The policy of opening its domestic market is one of China's basic policies," the editorial stated. "And it is neither necessary nor possible for the country to engage in modernisation behind closed doors."

At the same time as Chinese enterprises are meeting unwelcome competition from outside the country, problems of internal protectionism are also arising.

Last week, the authorities issued a 10-point set of regulations aimed at preventing local officials putting barriers in the way of the free movement and sale of Chinese-made goods around the country.

Meanwhile, China is continuing its drive to attract foreign investment. Yao Yilin, a Vice-Premier and head of China's state planning commission, was quoted at the weekend as saying that China needed overseas funds and would not suddenly change economic direction.

However, he warned that foreign businessmen should not expect China to engage in large-scale projects for the time being. "We ought to increase trade step by step... in case big mistakes occur," he told a visiting delegation from the Stanford Research Institute of the U.S.

He called on foreign businessmen to co-operate in developing China's energy resources, communications, transport and port facilities.

Resistance mounts to call for export credit note boost

BY JOHN WYLES IN BRUSSELS

EUROPEAN Commission proposals for raising internationally-agreed minimum interest rates attached to export credits by 0.25 to 1.25 per cent look likely to meet stiff resistance from some EEC finance Ministers meeting in Luxembourg today.

The Ministers have to decide a common Community negotiating position for an attempt which will be made in Paris next week to revise the "Consensus" on export credits operated by the leading industrialised countries in the Organisation for Economic Co-operation and Development.

Consensus interest rates were raised by 2.25 to 2.5 per cent last November after months of wrangling, principally because of U.S. demands for a closing of the gap between existing minimum rates and international market rates.

The new rates were to be reviewed after six months and the U.S. is again pressing for further increases, although somewhat less vigorously than before, officials say. The OECD must also decide whether to re-classify certain countries, principally the Soviet Union, so that they receive less favourable export credit terms, and also arrangements to be applied by Japan whose domestic market rates are lower than the Consensus minimums.

Within the EEC there is little evident enthusiasm for the risk of weakening its export competitiveness through a further boost to interest rates. France, in particular, is expected to be strongly opposed today to the Commission's proposal to seek increases of 0.5 to 1.25 per cent in the interest rates applied to countries in the "relatively rich" category. The Commission also proposes a 0.25 to 0.5 per cent rise in rates applied to "intermediate" category.

But its proposals for negotiating in Paris a reclassification of certain countries may win stronger support from Ministers today. The EEC has already agreed to try to transfer the Soviet Union from the intermediate to the relatively rich category following the declaration of martial law in Poland.

Some OECD members are opposed to such a radical political strike against Moscow, so the Commission is suggesting that all countries whose per capita income is higher than \$4,000 should be transferred from the second to the first category. This would transfer East Germany and some other Eastern bloc countries as well as the Soviet Union. At the same time, some newly industrialised countries such as Hong Kong, Singapore and South Korea would be moved from the "relatively poor" to the intermediate category.

Japan is known to be approaching the Paris negotiations in a tough mood aimed at lowering the 9.25 per cent export credit rate it committed itself to last November. This compares with the 10 to 11.25 per cent being applied by the other participants in the Consensus. Japanese domestic rates, are now lower than they were last November, but the EEC looks likely to oppose any move, by Tokyo to seek a reduction, in the rate it must attach to its export credits.

Herr Markus Lusser, one of the three top directors of the Swiss National Bank and chief of foreign exchange operations, has rejected pressures that the bank come to the rescue of troubled Swiss exporters with new subsidies for export financing. AP-DJ reports from Basle.

In a speech before a meeting of the Swiss Association of Exporters on Saturday, Herr Lusser said that "the main contribution which the National Bank can make to support the export industry consists in directing monetary policy towards stable economic conditions, particularly in the assurance of price stability."

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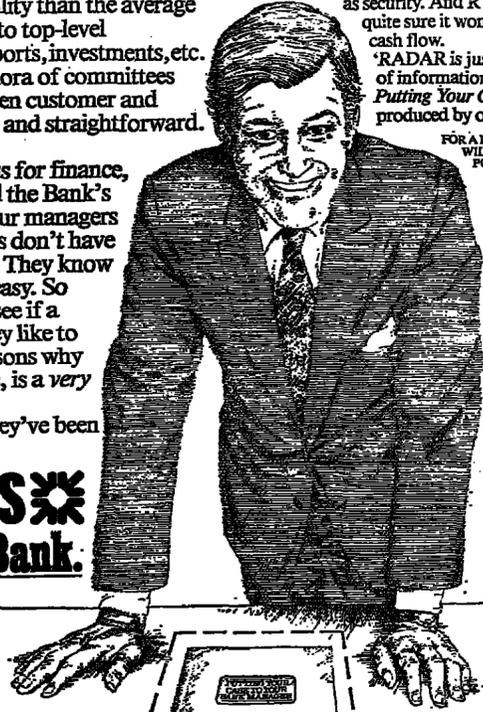
That's why, when customers come to us for finance, they're always sure of a quick decision. And the Bank's response will always be constructive, too. Our managers know that people running smaller businesses don't have big accounts departments backing them up. They know that putting a case together for a loan isn't easy. So they're always ready to offer advice and to see if a proposition can be knocked into shape. They like to look for reasons why they can lend, not reasons why they can't. And that, most people will agree, is a very different approach to business borrowing.

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B.S. 59

SHIPPING REPORT

Hope for tanker outlook

BY OUR SHIPPING CORRESPONDENT

THE HARD-PRESSED tanker market started to show some spark last week, but brokers were cautious about prospects for a sustained improvement. Rates remain low and the surplus of tonnage, especially for large ships, is still acute.

Galbraith Wrightson said activity had alternated between bouts of hectic trading and relative calm. With the crisis in the Falklands continuing, tension in the Middle East and uncertainty over oil prices, "there remains a chance that, for the next two or three weeks at least, the market will be more febrile."

While rates from the Mediterranean and UK have moved up, the Arabian Gulf has not shown much improvement. Galbraith said VLCC (very large crude carrier) rates were static at around Worldscale 20. "If there is a general hardening in rates, it is likely to be most noticeable from the Mediterranean terminals."

For part cargoes of 120,000-125,000 tons, said E. A. Gibson, levels of Worldscale 50 or so have been fixed from the Gulf, via the Suez Canal. Demand for smaller vessels from the Gulf has improved, though not with any marked rise in rates.

There are now far fewer VLCCs and ULCCs (ultra large) in the Gulf, so that choice for charterers has been reduced, noted Gibson.

World Economic Indicators

| | RETAIL PRICES (1975 = 100) | | | | | % change over previous year |
|-------------|-------------------------------|----------|----------|----------|----------|--------------------------------------|
| | Mar. '82 | Feb. '82 | Jan. '82 | Dec. '81 | Feb. '81 | |
| UK | 232.6 | 230.5 | 230.4 | 210.7 | 210.7 | 10.4 |
| W. Germany | 133.7 | 133.4 | 132.2 | 126.4 | 126.4 | 5.8 |
| France | 206.9 | 196.9 | 196.9 | 176.4 | 176.4 | 13.9 |
| Belgium | 153.9 | 153.5 | 152.1 | 143.1 | 143.1 | 7.6 |
| Netherlands | 149.5 | 148.9 | 148.4 | 139.4 | 139.4 | 7.0 |
| Italy | 281.1 | 277.4 | 273.5 | 240.4 | 240.4 | 16.9 |
| U.S. | 175.8 | 175.2 | 174.4 | 163.2 | 163.2 | 7.7 |
| Japan | 146.2 | 146.2 | 146.1 | 141.4 | 141.4 | 3.4 |

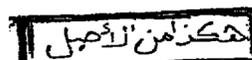
Source (except UK): Eurostat

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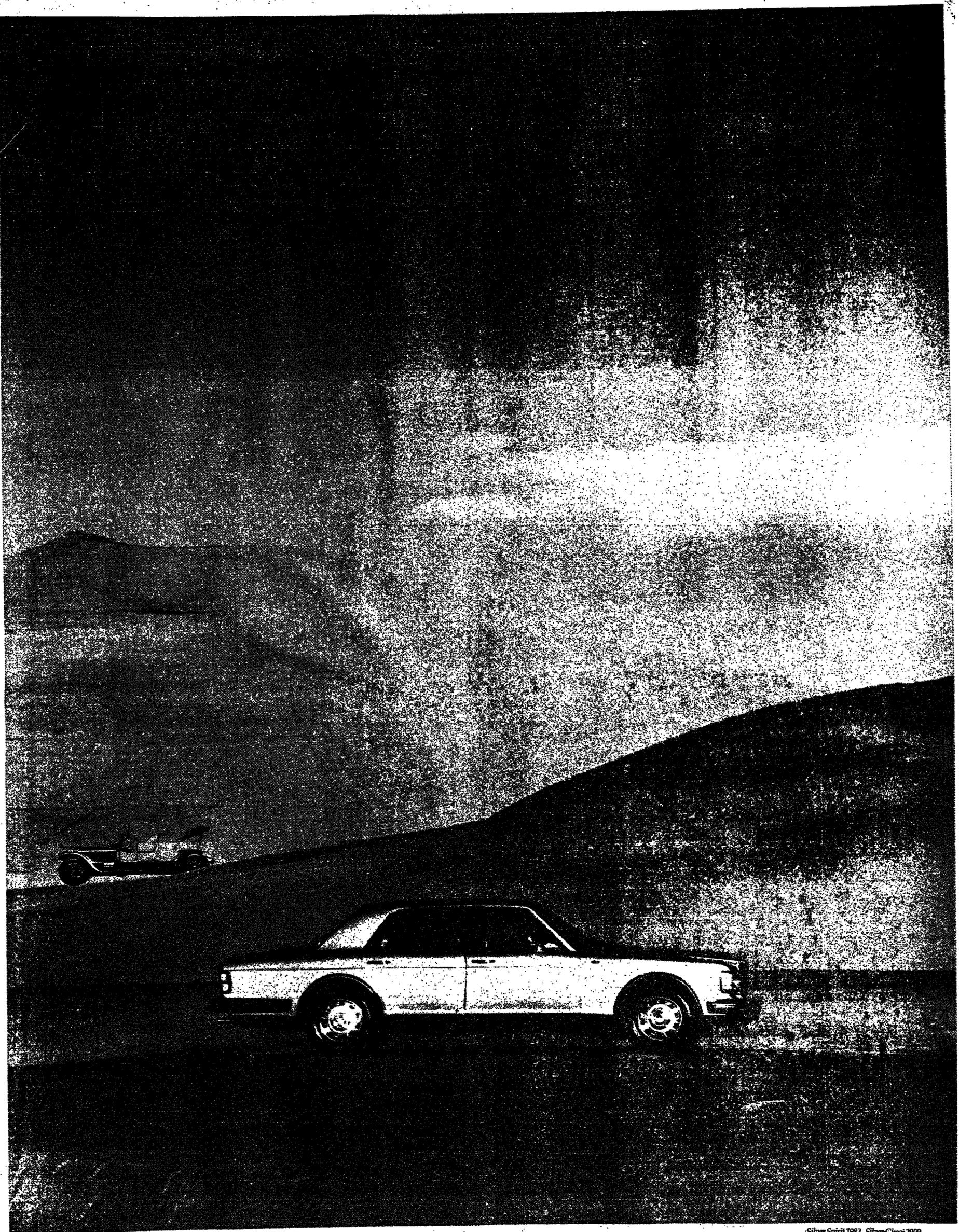
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wrought this masterpiece by a peculiarly Roycean compound of tradition and innovation. As the great man told his work-force in 1927: "Strive for perfection in everything you do. Take the best that exists and make it better. When it does not exist

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Cautious canvassing in Manchester

Ian Hargreaves assesses 'the heartland of Socialism'

"NEVER HAVE I known an election like this one," says Mr Cecil Franks, leader of Manchester City Council's Conservative group.

Few of Mr Franks' opponents in Britain's second city would quarrel with this and caution is the principal characteristic of canvassers working for next month's local council election.

The main reasons for that caution are said to be the arrival of the Social Democratic Party—Liberal Alliance, a split in the ruling Labour group, the Falklands crisis and ward-boundary changes which mean all the council's 89 seats are being contested rather than the usual 33.

On paper the Labour Party should hold the city at a stroll. It has run Manchester town hall, except in 1967-71, since the Second World War and is defending a majority of 65-34 against all other parties. Even in the Thatcher landslide Manchester was fairly durable for Labour. It produced a 2.1 per cent swing compared with 5.2 per cent nationwide.

Promising

A usual mid-term anti-Government swing, perhaps extended by a local unemployment rate of 15 per cent, should be creating conditions for a record Labour performance.

That analysis reckons without the Alliance, however, which could scarcely have expected a more promising scenario had it written the script itself.

The Tories shook off, in recent years only, the dead hand of the local urban squararchy and the ruinous organisation associated with it. They are led by the excitable Mr Franks, a solicitor who was

once a Labour councillor in neighbouring Salford.

Mr Franks professes to be left of centre still on social policy. His most eye-catching proposals, however, are for the wholesale privatisation of city services, public support for Greater Manchester's controversial Chief Constable, John Anderton, and a cut in rates.

Labour has indulged in a rite of self-mutilation. A group of 22 councillors, backed by a City Labour Party under left-wing control, resisted its own leadership on important issues. It then tried to use the city's party machine to stop reselection of old-guard councillors for this election. The row was quelled only after intervention by the party's national executive committee.

The widest division between the two factions is the rebels' insistence that unlike the ruling group they would not accept the Thatcher Administration's spending cuts. The implication is they will step outside the law on this if necessary. A more succinct and emotional split concerns the rebels' pledge to scrap the office of Lord Mayor.

The City Labour Party element, led by Councillor Graham Stringer, an unemployed chemist, had the whip-hand drafting the party's election manifesto. Conditions would appear perfect, therefore, for an Alliance campaign to romp through the centre.

Alliance leaders, however, sound uncertain, at least at this early stage in the campaign. They are confident they can destroy the Tory vote in the party's few remaining strong-

holds, chiefly on the wealthier, Cheshire side of the city.

Councillor Keith Whitmore, a leading Liberal, says the Tories will be cut from 25 to nine seats. Only the Tories disagree with this analysis.

The problem in Manchester is that to win the outer ring of wards is insufficient to win the election. In spite of a migrating population the core vote is still in the city centre and the ring beyond that.

In most of these wards more than half the homes are council-owned.

Winnable

Mr Chris Muir, a Scottish-born small businessman, a local football-club director and, until recently, was a life-time Labour Party activist. He believes some of these areas are winnable.

The drawback is organisation. The Liberals have a well-founded base in three or four of the city's 33 wards. The SDP has not, however, had time even to create ward parties.

In Manchester, however, the Alliance is better organised than in Salford. There there is also an all-out election, but the Alliance has not fielded even a full slate of candidates. There is no doubt Labour will hold Salford comfortably on May 6.

It may be, too, that those who see the Alliance storming through the centre to take overall control misunderstand their opponents.

For example, the Tories, whose vote is under great pressure, have improved their organisation—a recruiting drive gained 600 new members in the



past year—and arguably are closer to their bedrock representation, having lost almost half their city council seats since 1978.

More importantly Labour, though it will suffer from its in-house quarrelling image, has had some of its ward-level efforts rejuvenated by the rise of the new group.

Further, even in terms of policy, the manifesto's emphasis on more open government and on devolution of power and administration to the neighbourhood level is both fashionable and appealing and intrudes on Liberal ground.

The SDP campaign has been deliberately bland, emphasising new styles and new people rather than policies, a risky tactic when candidates are not well known.

Mr Muir says the result is wide open. "We could have six seats or we could take control. But if we win we will have proved the Alliance can win in the heartland of Socialism."

Existing state of the parties on Manchester City Council: Labour, 65 seats; Conservative, 25; Liberal, 4; Social Democratic Party, 5.

Amersham to move into non-nuclear health care

By David Fishlock, Science Editor

Amersham International, the British radio-chemicals company which went public in a blaze of publicity in February, is abandoning some of its nuclear business and broadening into non-nuclear aspects of health care, including biotechnology.

Amersham's briefing for brokers are telling the City that the company is becoming a specialist in health care, says Dr Stuart Burgess, managing director.

Amersham, formerly the Radiochemical Centre, was over-subscribed more than 20 times when the public was given a rare opportunity to invest directly in the British nuclear industry.

The bedrock of its present profitability is a catalogue of about 40 diagnostic kits used by hospital technicians for quick disease tests. The kits use radio-active materials, made in reactors and atom-smashers, as the basis of their speed and accuracy.

They account for half Amersham's business and the market is growing faster than for the other main business sectors, radio-chemicals for research and industry. Dr Burgess said.

But 90 per cent of the skill that goes into a diagnostic kit has nothing to do with its radio-activity, he says.

Moreover, diagnostic kits using other ways of detecting disease, including cytogenetics and fluorescence, are showing increasing promise for some diseases.

Another promising possibility is that better diagnostic active kits may be made by combining them with new biotechnology developments in "genetic engineering," such as monoclonal antibodies. Amersham launches two or three new kits and several "improved" kits a year.

Dr Burgess sees the way the health care market is developing "not as a threat but essentially as an opportunity."

Already, so little radio-activity is required by kits that it is becoming incidental to the bulk of Amersham's business. The company finds itself selling less and less radio-activity per product, he says.

He plans to abandon one product using intense levels of radio-activity. It has warned customers that supplies from Amersham of cobalt-60 will be restricted for the next three years and then will cease. France is the main alternative for British users.

But Amersham will continue to supply cobalt-60 and other highly radio-active sources to hospitals for cancer therapy, and to service these highly sophisticated products.

Journalist to head policy unit

Financial Times Reporter

MR FERDINAND MOUNT, political correspondent of the Spectator, is to head the Prime Minister's policy unit. He will take over from Mr John Hoskyns at the end of the month.

The unit was set up when the Government came to power. It advises Mrs Thatcher on political and policy matters. It works beside the broader-ranging Central Policy Review Staff, the "think-tank."

Accountants back call for local income tax

BY ROBIN PAULEY

POWERFUL SUPPORT for the retention of domestic rates and the introduction of a local income tax comes today from public and private sector accountants and the TUC.

The Consultative Committee of Accountancy Bodies, which groups together all the major accountancy organisations, says the most important reform for rates should be the introduction of capital valuations to replace the present system of notional rentals on which rates are calculated. The TUC agrees.

The accountants also say in their response to the Government's Green Paper on alternatives to domestic rates that a local income tax could provide a substantial yield and ensure local accountability. But administrative difficulties would prevent it being introduced in the near future. The TUC also makes the same point.

However, the computerisation of income tax presented an opportunity to plan the development of a local income tax and so a decision should be taken now to examine in depth the practicability and methods of administering such a tax, the paper says.

Until that can be introduced, the accountants advocate the introduction of some form of levy on income earning non-householders, who do not currently pay any local tax. But they reject the idea of a poll tax as a substitute for domestic rates.

They also reject the idea of a local sales tax, which the Government has now abandoned although it was once the Prime Minister's favoured option. Mr Tom King, Local Government Minister, told Conservative backbenchers last week that a sales tax was now dead and no more work would be done on it.

The accountants also say that local accountability would be improved by increasing the proportion of local spending funded by fees and charges. But these could not replace domestic rates without other radical tax changes, such as the introduction of a negative income tax.

The TUC says that although it supports a change to capital valuations for rating assessments, close attention should be paid to the possibility of a disproportionate impact of the revaluation falling on those in smaller houses.

The TUC also calls for a thorough and wide-ranging review of local government finance and structure, ideally looking for a basis of agreement between Government and Opposition on the outline and the details of reform before any major changes are implemented.

System of protecting investors a mess, pensions conference told

BY ERIC SHORT

THE SYSTEM of protecting investors in the UK was a complete mess, Professor James Gower told delegates at the final day of the 1982 conference of the National Association of Pension Funds (NAPF) in Bournemouth. He urged pension funds and other leading financial institutions to give their full support to the National Association of Dealers and Investment Managers (NASDIM) in its efforts to provide an effective regulatory service for investment managers.

Professor Gower was outlining his recently published discussion document on investment protection. He was appointed by the Secretary of State for Trade to review the system.

He said there was no other conclusion but that it was ineffectual in protecting investors from both unscrupulous and ignorant providers of investment services.

The Prevention of Frauds Act tried, but failed to do this. It had resulted in two classes of investment services—the elite, such as the major institutions exempted under the Act, and

those bodies which were like dealers and had come to be regarded as a fringe element.

This differential would only disappear if the major institutions joined NASDIM, he said. NASDIM replaced the old Licensed Dealers Insecurities Body.

Professor Gower said one practical remedy would be a comprehensive Securities Act administered by a securities commission on the lines of the U.S. Securities Exchange Control, with wide-ranging powers.

He said he had expected total indeed monolithic opposition to this proposal, but was surprised not to find it in initial reactions from many City institutions.

A second remedy—which he preferred—was a series of self-regulatory bodies covering the various sectors of investment services with adequate statutory powers to supervise and monitor members.

Prof. Gower disagreed that pension funds were users rather than providers of investment services. Employees, on becoming members of pension schemes, were making, if only by implication, one of the most

important investment of their lives. He had therefore advocated a Pension Act and felt that pension fund investment managers should be brought within the scope of regulation.

Mr Ken Baker, National Industrial Officer of the General and Municipal Workers Union said early retirement needed close attention, both in the short term, with many redundancies achieved this way, and in the long term, in the face of the microchip revolution's effects on labour demand.

Mr Baker said pension schemes also needed to consider equal status for men and women, a common retirement age, flexible retirement, indexation of pensions and transferability of pension rights.

Mr Euphe Latham, deputy pensions officer of Unilever, said this was an opportune time for companies to re-examine their original decision to stay in or contract out of the state scheme, before the new terms came into effect in April 1983. He said pension scheme managers ought to consider administration and industrial relations aspects as well as financial considerations.

FT Grocery Prices index still rising

BY OUR CONSUMER AFFAIRS CORRESPONDENT

THE FINANCIAL TIMES Grocery Prices Index continued its steady upward trend in April, rising for the ninth month in succession. The April index stood at 147.75, compared with 146.71 in March. In April, 1981, the index was 134.93.

The April rise was due to marginal increases in most sections of the shopping basket, rather than to an upward surge in one particular sector. However, the cost of fresh fruit and vegetables was still higher than expected, with that component of the basket rising by almost 20 to cost in total 2345.18 this month. This rise was probably accounted for by early supplies of summer vegetables not being widely available in all the shops monitored.

The index is compiled from information collected by 25 shoppers who monitor a list of more than 100 grocery items each month. The stores, which are the same sample each month, range from village grocers to superstores.

The index, however, is meant only as a guide to trends in food prices. It should not be taken as an absolute indicator of price levels.

The FT Grocery Prices Index

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FINANCIAL TIMES SHOPPING BASKET

| | APRIL 1982 | |
|------------------------------------|-----------------|-----------------|
| | April £ | March £ |
| Dairy produce | 728.58 | 731.29 |
| Sugar, coffee, tea and soft drinks | 211.43 | 212.28 |
| Bread, flour and cereals | 321.59 | 325.35 |
| Preserves and dry groceries | 118.41 | 117.58 |
| Sauces and pickles | 55.87 | 56.11 |
| Canned foods | 203.56 | 199.94 |
| Frozen foods | 258.24 | 254.90 |
| Meat, bacon, etc. (fresh) | 641.50 | 642.01 |
| Fruit and vegetables | 345.18 | 325.20 |
| Non-foods | 257.04 | 253.55 |
| Total | 3,141.40 | 3,119.22 |

1981: January 130.96; February 131.75; March 132.75; April 134.93; May 136.30; June 137.37; July 136.62; August 135.50; September 136.60; October 137.49; November 140.51; December 141.24.
1982: January 144.81; February 145.83; March 146.71; April 147.75.

Financial Highlights

as per Dec. 31, 1981

- Balance Sheet Total: 901.0
- Claims on Banks: 441.8
- Loans and Advances to Customers: 430.8
- Credit Volume: 658.5
- Capital Funds: 28.7

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Amsterdam, April 21, 1982.

This announcement appears as a matter of record only.

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UK NEWS

SDLP to lobby against Ulster devolution Bill

BY MARGARET VAN HATTEM/LOBBY STAFF

LEADERS of Northern Ireland's main Catholic party, the Social Democratic and Labour Party, will visit Westminster this week in a last-minute attempt to stop the Government's Bill on devolution for Northern Ireland.

Mr John Hume and Mr Seamus Mallon, the SDLP leader and deputy leader, will put their case to Members of Parliament from all main parties, including Mr Michael Foot, the Labour leader, and Mr Don Concannon, the shadow Northern Ireland Secretary.

Their visit coincides with Wednesday's Commons debate on the Northern Ireland White Paper introduced by Mr James Prior, the Northern Ireland Secretary.

The SDLP leaders will say the Government's devolution plans stand no chance of furthering political progress in the Province. Ironically their efforts are more likely to defuse than to promote opposition to the Bill, which was given its First Reading last week.

This is because most opposition comes from Ulster Unionists and Tory backbenchers sympathetic to their cause, some of whom may be reassured by signs of Catholic hostility.

Opposition parties, however, have indicated their broad support for the legislation. They are considered unlikely to retract this, however forceful the SDLP representations.

Labour in particular appears to have reservations about the SDLP's case and the strength and unity of the party itself. Their doubts follow the visit of a Labour delegation to Northern Ireland at the end of last year.

Indeed, at this stage the Government appears to place more

importance than the Opposition on the need for SDLP support. It may be relieved the party did not decide, at a weekend meeting, to boycott proposed autumn elections for a Northern Ireland assembly.

SDLP leaders say the party may yet boycott the elections. If it did, it would then campaign to prevent its supporters voting for other nationalist candidates, such as those of Provisional Sinn Féin, which last week decided to contest the elections on an abstentionist platform.

Although the Government insists the elections would proceed irrespective of SDLP participation, it recognises that an assembly with no SDLP members would have little chance to form an executive with the credible cross-community support it insists is the prerequisite for any devolution of power.

Economists predict 4m jobless by 1990

By David Marsh

THE MODEST economic growth expected for Britain over the next few years under existing policies will not be enough to prevent unemployment rising steadily to well over 4m by the end of the decade, according to the latest report of the Department of Applied Economics at Cambridge University.

The department's under Professor Wynne Godley, says the country remains in a deep and prolonged slump. Output growth of 1 or 2 per cent this year will not alter this.

It calls for large-scale deflationary measures, including controls on imports and outflows of capital, to boost growth to the level of at least 3 per cent a year needed to bring down unemployment.

The department foresees a deepening division between the unemployed and those in work who will continue to enjoy rising living standards because of North Sea oil. It warns of "disastrous consequences" from the separation of the country into "two nations."

The pursuit of alternative policies now presents "far greater difficulties" than a few years ago. The UK industrial base has been severely weakened, other industrial countries are suffering recession and the prospects for world economic recovery are bleak, the department says.

Any significant expansion would run the risk of undermining financial confidence at home and overseas. "In the absence of exchange controls, the danger of initiating an uncontrolled fall in sterling and unleashing renewed inflationary pressure is a very real one."

It puts forward four scenarios for the next decade:

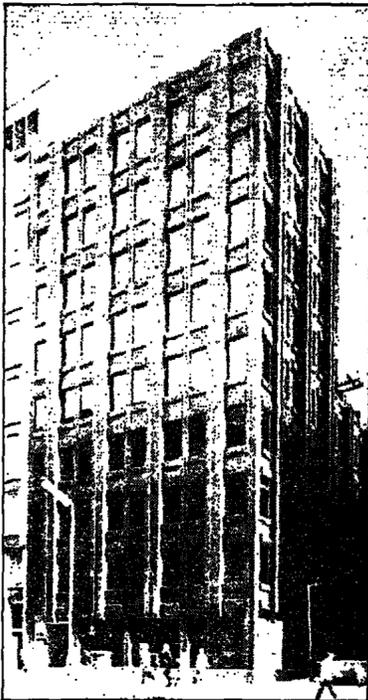
Base projection: GDP growth averages 1 per cent between 1983 and 1990; consumer price inflation falls to 6.2 per cent next year and 3.7 per cent by 1990; unemployment rises to 3.4m next year and 4.5m by 1990.

Spontaneous recovery: export performance is assumed to improve by the amount needed to generate GDP growth of 1.5 per cent this year, 2.5 per cent in 1983 and 4 per cent in 1986. Unemployment would peak at 3.2m in 1984. Inflation would be 7.9 per cent next year, down to 3.9 per cent by 1990.

Reflation: starting in 1984. This would be accompanied with substantial increases in Government spending, a temporary incomes policy and re-introduction of exchange controls. Unemployment remains between 3.3m to 3.5m over the decade. Inflation rises to 9.9 per cent by 1990. GNP growth averages only 1.4 per cent between 1986 and 1990, and current account returns to deficit.

A Labour strategy: Starting in 1984. This would involve higher public spending, import controls, a reduction in the exchange rate to boost competitiveness, exchange controls re-imposed, EEC membership suspended. The result would be a drop in unemployment to 1.9m by 1990. GDP growth averaging 3.6 per cent between 1986 and 1990, and a modest return to current account deficit. But inflation would rise to 8.7 per cent by 1988 and 13.4 per cent by 1990.

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Cuts in mail collection criticised

By Jason Crisp

THE POST OFFICE has been strongly criticised for its plans to stop the 7 pm mail collection in all but the most central areas of London.

Mr Michael Corby of the Mail Users Association said it would damage efforts to attract business to areas such as Lambeth or Southwark where the last collection would now be at 5.30 pm.

The Post Office said the move arose from Government requirements for it to reduce unit costs by 2 per cent a year. The Post Office Users' National Council has accepted the proposal which is expected to save the Post Office £600,000 a year.

However, the Post Office is expected to make £70m profit on its postal business for the year to March 31 1982.

Mr Corby accused the council of being paid £250,000 a year "to dance to the Post Office tune without representing the customers' interests."

The Post Office points out that the cut in service will only affect 2 per cent of the mail in those areas, and that the late collection will continue in the main City and West End commercial areas.

The Post Office said the cuts could improve the quality of service because many first class letters posted late were not being delivered within the target time.

Belinda Neak adds: The Post Office is to offer a nationwide discount on stamps to the public for five weeks.

From April 28 to May 31 customers with special money-off coupons will be able to claim 10p discount on books of stamps costing £1.55, £1.49 and £1.25. Coupons will be available in newspapers and some will be delivered through letter boxes.

The scheme has been launched to encourage people to buy stamps in books instead of singly. During trials in Bolton and Southampton sales of stamps increased by three or four times the normal level when people were encouraged to buy books.

The Liberal-SDP Alliance will go into the next general election campaign with a Bill for major constitutional reform already drafted. Mr David Steel, the Liberal leader, told the Welsh Liberals' annual assembly in Cardiff at the weekend.

The draft Bill would cover the introduction of voting by proportional representation, the reform of parliament, devolution, and a Bill of Rights. It would be ready to put before the new parliament immediately, Mr Steel said.

On devolution, the Liberal leader stressed that the alliance scheme would avoid "the mistakes of the past" by presenting a "one-package framework for the whole of the United Kingdom." This would then be applied to the different UK regions as public demand

Retailers urged to buy British clothing

BY ANTHONY MORETON, TEXTILES CORRESPONDENT

THE TRAGEDY of the past 20 years for the UK clothing industry was its failure to recognise the dangers of increasing low-cost imports.

This was stated at the weekend by Mr Norman Sussman, chairman of the British Clothing Industry Association and chairman of L. S. and J. Sussman, a leading shirt manufacturer.

Speaking at a London symposium on retailing, Mr Sussman said low-cost imports had been a "cancer" on the industry and that they were "spreading encroaching tentacles across the entire base of the manufacturing industry."

The warning signs had been first given by shirt manufacturers and then highlighted by the Clothing Economic Development Council, he said. The competition was not taken seriously enough by the industry until it was too late.

Mr Sussman admitted that, given the pressure on retailers, it was all too easy for managers to look overseas for cheap goods.

There were exceptions, such as Marks & Spencer, British Home Stores, Littlewoods, Debenhams and Mothercare. "If Marks & Spencer can source 90 per cent of their clothing requirements from the UK there must be opportunity for other retailers to procure a greater proportion of their requirements from the home-based industry than they are doing at the present time."

UK sourcing was not just blind patriotism. "It reflects commonsense. It reflects a desire to help British industry in the full knowledge that a buoyant and thriving manufacturing industry in turn leads to a thriving and buoyant retail industry."

Constitution reform Bill by next election, says Steel

BY ROBIN REEVES, WELSH CORRESPONDENT

Mr Steel also promised that the constitutional reforms would include the introduction of a single-tier system of local authorities and would "bring within democratic orbit" regional health and water authorities.

Mr Geraint Howells, MP, the Welsh Liberal leader, predicted that the Alliance would win up to 20 of the 36 Welsh seats at the next election. The new parties have already agreed that the Liberals will fight 17 and the SDP 19.

The deal also covers the share-out to be adopted by the alliance, should a major shake-up of constituencies, now being recommended by the Welsh Boundaries Commission, be adopted, as expected, before the next general election.

Why the Pru is selling prime property

BY MICHAEL CASSELL

WHEN Prudential Assurance—a powerful force in commercial property investment—decides to sell one of the most valuable assets in its mammoth portfolio, the property market wants to know why.

The question takes on an added urgency at a time when the commercial property sector is feeling the strain of the recession and when the relative attractions of real estate as an investment option are being closely examined.

In such an atmosphere, the Prudential's decision to sell Central Cross, the Tottenham Court Road, London, office block built for EMI before financial problems sabotaged the plan, will come in for detailed scrutiny. The asking price for the 229,000 sq ft building is about £45m.

Is the proposed sale a sign of the Pru's disenchantment with the property investment market, an indication of the particular building's shortcomings or simply a strategic move

in the management of a portfolio which requires continuous attention to preserve its quality?

It is because the Pru—a pioneer of property investment for pension fund and insurance purposes—appreciates the influence it can have on the property investment market that it chose last week to spell out what it was doing and why.

Such portfolio adjustments are traditionally done quietly and confidentially.

The answer, according to Mr Peter Green, the Prudential's joint chief surveyor, is certainly bound up in a change of property investment policy, but not in any lack of enthusiasm for the property investment market.

"There was a time when we were forever telling inquirers that all our properties had been bought as permanent investments and would, therefore, never be available.

"But now we pursue a property investment programme which involves substantial new development as well as the upgrading of our portfolio, all of which cannot be financed out of portfolio income.

"So now we are prepared to consider the sale of some of our holdings in order to allow our development strategy to continue without precluding the possibilities for purchases of investment properties at home and overseas. In short, we are much more willing to sell than we have been."

The Prudential's commitment to property—the portfolio of its life funds alone now stands at nearly £2.5bn—is highlighted by its present development programme.

About 45 per cent of the life funds portfolio is in central London and the Pru is now engaged on London projects costing about £100m—most of this sum is committed to improving existing properties.

At the same time, however, schemes costing an additional £100m are being carried out

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UK NEWS - LABOUR

Textile industry forums plan shelved

By Our Labour Staff
RADICAL PROPOSALS from the National Economic Development Council for introducing better management-worker communication in the textile industry are being shelved because of the recession.

Textiles have been pioneering the NEDC "ambassador" system over the past two years, in which outside consultants visit textile factories to talk about the industry's problems with the management and workforce.

There has been a mixed response to the ambassadors. Some companies have refused them access but more than 50 visits have been made.

Earlier this year, an NEDC steering brief—backed by the BI and the TUC—suggested going beyond tripartite ambassador-type meetings by setting up joint working committees to look at company plans. But the NEDC has said that with the recent spate of factory closures in textiles it was not considered a good time to promote FDCs. "The idea has had to be put in cold storage for the time being at least," it said.

NHS pay campaign
HEALTH SERVICE workers begin a campaign of industrial action over pay today which could well mean longer delays for non-emergency operations. The Confederation of Health Service Employees said that 200 branches had so far decided to join the campaign against the Government's 4 per cent pay offer. The campaign will have been boosted by an arbitration award to civil servants.

TUC considers reform proposals

BY JOHN LLOYD, LABOUR EDITOR

FURTHER CONTROVERSIAL proposals to change the structure of the TUC general council go before a deeply-divided TUC "inner Cabinet" today and to the General Council itself on Wednesday.

The finance and general purpose committee will consider a plan to give unions with fewer than 100,000 members some representation on the general council.

Under a decision of last year's congress the council must adopt the principle of "automaticity." Under this unions with 100,000 members automatically have at least one seat on the council.

That decision was passed by about 1.2m votes. It is widely seen as benefiting the right and

and centre, at least in the short-term. It has precipitated an intense bout of lobbying as the council has gradually separated into rival camps. The plan to be considered today is contained in a paper prepared by the TUC secretary. Its basic element is that small unions will share seven council seats. The electoral college for the seven seats would be the small unions themselves.

It is proposed the election be open, rather than, as in the present system covering all unions, on the basis of representation by trade group.

Opponents of the "automaticity principle" believe the system will find little favour because of the intense competi-

tion for council representation among the smaller unions. Because the election is confined to small unions it would cut out patronage by major unions. This is a charge frequently levelled against the present system. A further proposal, still to be mooted officially but already winning support, is for the five women's seats on the council to be abolished and redistributed. This would be introduced on the assumption large unions with more than one representative would ensure that at least one was a woman.

The left-wing unions believe they have a good chance to reverse the decision at this year's Congress, in September. The Association of Scientific,

Technical and Managerial Staffs has reversed its support for "automaticity." Left-wingers believe the National Union of Public Employees and the Iron and Steel Trades Confederation will also switch, destroying last year's majority. The unions which support change, however, believe they can retain the allegiance at least of the ISPC and that they can persuade the Confederation of Health Service Employees and the Union of Shop, Distributive and Allied Workers, which last year voted against change, now to support change.

The issue will occupy much time and energy between now and September.

Merseyside dockers draw back over strike

By Philip Bassett, Labour Correspondent

DOCKERS ON Merseyside drew back yesterday from an unofficial strike in the port considered for today to follow last week's national unofficial stoppage over internal reorganisation of the National Dock Labour Board.

Proposals for a strike had been considered by local dockers' leaders, but a mass meeting in Liverpool yesterday called by the local docks and waterways committee of the Transport and General Workers Union chose not to take action, though there were no formal resolutions.

However, the prospect of a national dock strike from May 10 by all Britain's 24,000 dockers over the extension of the dock labour scheme to all ports and wharves increased when the Liverpool dockers clearly indicated their readiness to support such action.

The meeting of about 1,500 dockers heard reports of the conferences last week which called for the action. Dockers' leaders are currently seeking a meeting on the issues with Mr Norman Tebbit, Employment Secretary.

Mr Denis Kelly, chairman of the Mersey shopstewards said yesterday: "If Mr Tebbit rejects our approach the strike on May 10 will go ahead."

However, dockers at the meeting made it clear that if the Falklands crisis worsened to a point where there was a national emergency by May 10, they would not be prepared to go ahead with the strike.

Shop workers' union urges Labour unity

BY DAVID GOODHART, LABOUR STAFF

A strong call for Labour Party unity was made yesterday by Mr Syd Tierney, president of the 450,000-strong shop workers' union, USDAW.

Speaking at the opening of the union's annual conference in Eastbourne, Mr Tierney said: "We must bury the hatchet and, having done so, we must forget where it is buried."

He said the party's immediate priority was unity around three main policies—the alternative economic strategy; withdrawal from the Common Market; and nuclear disarmament. But he warned that all those policies needed flexible application.

Turning on the SDP Mr Tierney asked: "How can they justify voting for the Tebbit Bill? From now on any trade unionist who courts support from the SDP will get the kind of support a rope gives to a hanged man."

ALMOST HALF the employers covered by wages councils in the retail trade are illegally underpaying, according to a report published today by the Low Pay Unit.

The report estimates that more than 250,000 of Britain's 1.7m shop workers receive below the wages council

minimum of £62 a week. There are two wages councils for over 1m workers in the retail trade. About 35 per cent of employers covered by the Retail Trades Wages Council and about 46 per cent of those covered by the Retail Food Council are underpaying the legal minimum, says the report.

Of the Employment Bill itself he said: "The Government must be reminded that liberty is nothing if it is not the right to exercise organised and conscious power to resist in the last resort."

The Tories boast that days lost through strikes last year were one-third the average figure for the past ten years. "So if it's all working so well why spoil it with a controversial

bill?" Mr Tierney asked. "Industrial relations in this country will step back 50 years if this becomes law."

He added that 780m days were lost last year through unemployment because of what he described as the catastrophic policies of this Government.

The reluctant admission that Sunday opening for chain stores and high street shops may soon have to be accepted came on

Britain 'in breach of labour convention'

THE BRITISH Government is in breach of an International Labour Organisation convention that it ratified last year according to the Public Services International. This international public sector union body, which has 9m affiliated members, has lodged a complaint with the ILO over the lack of negotiating

rights for 20,000 Hong Kong civil servants. The complaint has been upheld by the ILO's committee on freedom of association, which calls on the British Government—as the authority responsible for Hong Kong—to take account of Convention 151 on conditions of employment in

public service. Article Seven of that convention states: "Measures should be taken to encourage and promote the full development and utilisation of machinery for negotiation of terms and conditions of employment between public authorities and public employees organisations."

This week in Parliament

TODAY
Commons: Finance Bill, committee stage.
Lords: Inter-governmental Maritime Consultative Organisation (Immunities and Privileges) (Amendment) Order, 1982. Motion for approval. Shops Bill, third reading. Copyright Act 1956 (Amendment) Bill, third reading. Town and Country Planning (Amendment) Bill, second reading. Debate on 8th Report of the EEC on Competition Practice. Debate on financing of a British component in the A320 Airbus as part of the encouragement of European collaboration in growth areas of advanced technology. Select Committees: Home Affairs. Sub-committee on Race Relations and Immigration. Subject: Immigration from the Indian sub-continent. Witness:

Mr. Tim Raison, MP, Minister of State for Home Affairs. Time: 11.00.
Foreign Affairs. Subject: Caribbean and Central America—British approach to security, stability and development. Witness: Mr E. Y. Whittle, Lloyds Bank International. Time: 4.30.
Public Accounts. Subject: Administrative powers—financial effects of strike action by Civil Servants. Witnesses: Sir Donald Lovelock, KCB, chairman PM Customs and Excise. Sir Lawrence Airey, KCR, chairman Board of Inland Revenue. Time: 4.45.
Education Science and Arts. Subject: Biotechnology. Witnesses: Prutek, Technical Development Capital, British Technology Group. Time: 5.00.
TOMORROW
Commons: Finance Bill, com-

mittee stage.
Lords: Social Security and Housing Benefits Bill, committee stage.
Select Committees: Home Affairs. Subject: Inquiry into methods of financing local government in the context of the Government's Green Paper (CMND 8449). Witnesses: The Chartered Institute of Public Finance and Accountancy. Time: 4.00.
Foreign Affairs. Overseas Development. Sub-committee. Subject: Overseas Development Administration simply estimates 100,000 Class II, Votes 9, 10 and 11. Witnesses: Overseas Development Administration, Department of Trade. Time: 5.30.
Joint Committee on Statutory Instruments. Time: 4.15.
WEDNESDAY
Commons: Debate on a motion to take note of the White Paper on Northern Ireland—A Framework for Devolution (CMND 8451). Motion on the Value Added Tax (Finance) Order. Lords: Debate on position in the prisons, followed by short debate on youth unemployment and the development of new technology. Question on support for UK orchestras. Select Committees: Defence. Subject: Ministry of Defence organisation and procurement. Witnesses: Officials from the MOD. Time: 10.30.
Industry and Trade. Subject: Rolls Royce Limited. Witnesses: Lord McAlpine of Kelvinside. Time: 10.45.
Public Accounts. Subject: Selective examination of taxpayers' accounts, casual workers, agency workers, black economy. Witness: Sir Lawrence Airey, KCB, chairman, Board of Inland Revenue. Time: 4.00.
Social Services. Subject: Public Expenditure—White Paper—Social Security Expenditure. Witness: Department of Health and Social Security. Time: 4.15.
Transport. Subject: Transport aspects of the 1982 Public Expenditure White Paper. Witnesses: Sir Peter Baldwin, KCR, Permanent Under-Secretary of State and departmental officials. Time: 4.15.
Treasury and Civil Service Sub-committee. Subject: The structure of personal income taxation and income support. Witnesses: Child Poverty Action Group, Institute of Directors. Time: 4.15.
Employment. Subject: Manpower Services Commission corporation plan 1982-86. Witness: Mr Norman Tebbit, MP, Secretary of State for Employment. Time: 4.30.
THURSDAY
Commons: Finance Bill, committee stage.
Lords: Administration of Justice Bill, report. Debate on 2nd Report of the EEC on Agricultural Trade Policy. Question on grants for civilians on the Joint Services Course for Remedial Gymnasts at the Queen Elizabeth Military Hospital, Woolwich. Select Committee. Committee on a Private Bill. Cumbria Bill. Time: 10.30.

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2 Have the right (scary) money-worries. Not the wrong (more comfortable) ones. In the ordinary way, Bad Debts are no problem. You provide for them. But the failure that cripples a company is something you cannot provide for. For instance: What does your biggest customer owe you today? Could you provide for that? Suppose he couldn't pay. What would happen to your business? What would happen to your employees, to your shareholders? What would happen to you? Tie up with TI...and you know you cannot be crippled by bad debts...whatever the other uncertainties of business life today.
3 Admit: every business could be more efficient. Credit insurance cannot make a bad business into a good one. But it can make an efficient business more efficient. Cash-flow becomes more controllable. Insured credit is a recognised aid to the financing of business. You have a very large, liquid Bad Debt Reserve, at known, tax-allowable cost. To find this from your own resources would lock up working capital so you could not use it—and probably not be tax-allowable. Tighter credit management saves interest charges too. Take a company with £5m. turnover on monthly account. Average period of credit would be 45 days, so there should be about £600,000 outstanding. Today, this might easily stretch to £1m.—leaving £400,000 of extra cash in finance. What would your bank charge for this? What do you think credit insurance would cost? Tie up with TI...and you could save money even if you never make a single claim all year. You have access to the best and biggest credit information service in the country—and a second opinion on all credit risks.
4 Let your top men do the job they are paid for. Uninsured credit is the thief of top management time. It is always the top man who has to worry about the poor payer. This is not what the top man is for. His job in life is running and building a business. You can't do that if you are looking over your shoulder all the time. Tie up with TI...and your mind is free. We take the big risk. You don't.
5 Cover your credit. There is only one way. You know your customers; of course. But do you know your customers' customers? Do you know the people who buy from them? Usually you can't. But this is just the way bad debts can come at you—as though they were travelling down a line of dominoes. You can't see the first domino fall, but the last one could knock you flat. What isn't your fault can still be your misfortune.

BBC 1

TELEVISION

LONDON

National laws and the Rome Treaty

6.40-7.55 am Open University (Ultra High Frequency only). 9.08 For Schools, Colleges, 10.00 You and Me. 10.15-11.30 For Schools, Colleges, 12.30 pm News After Noon. 1.00 Phebe Mill at One. 1.45 Pigeon Street. 2.01-3.00 For Schools, Colleges. 3.15 Songs of Praise from Billericay, Essex. 3.33 Regional News for England (except London). 3.55 Play School. 4.20 Chuggers Plays Pop. 4.45 Jana of the Jungle. 5.05 John Craven's Newsround. 5.10 Blue Peter. 5.40 News. 6.00 Regional News Magazines. 6.25 Nationwide. 6.55 Triangle: Serial in 26 episodes starring Kate O'Mara and Diana Coupland. 7.20 Bret Maverick starring James Garner as the West's most famous gambler. 8.10 Panorama: interview with the Prime Minister. 9.00 News. 9.25 The Monday Film: "Hustle," starring Burt Reynolds and Catherine Deneuve. 11.23 News Headlines. 11.25 The Computer Programme.

Chris Dunkley: Tonight's Choice

If an opinion poll among my friends is anything to go by (which is questionable because their shared motto seems to be "make do and mend," so perhaps they're quite unrepresentative), BBC-2's new series Better Than New could become a cult. Last week's opening episode, on stripping, had the pine door freaks spellbound, and today they are waiting with bated breath for instructions on surface damage. The whole of Panorama on BBC-1 is devoted to an interview with Margaret Thatcher. Her 1975 Brit Reynolds movie which follows, attracted some of the worst reviews ever written for a work directed by Robert Aldrich. So BBC-2's unusual programme The Story of Ruth becomes a must. It tells the true story of a young American woman living in London who was "persecuted" by an apparition which behaved exactly like a real person: Ruth, played by Connie Booth, could hear it talk, feel its touch, and even sense its smell. Worst of all, this menacing tormentor, appearing without warning, was her father who was living—as Ruth and others knew—in the U.S. The programme tells how Ruth learned to control her hallucinations to such a degree that they could be monitored in a laboratory. It is, remarkably, a story with a happy ending. Radio 3 devotes the whole evening to Two Comic Operas by Donizetti.

BBC 2

6.40-7.55 am Open University. 7.00 Better Than New. 7.25 News Summary. 7.30 A Family Band. 8.00 Barry Manilow in Britain. 8.00 The Mike Harding Show. 8.30 The Story of Ruth. 8.35 Cartoon Two. 10.45-11.35 Newsnight.

9.30 am Schools Programmes. 12.00 Cockleshell Bay. 12.10 pm Rainbow. 12.30 Supersavers. 1.00 News with Peter Sissons, plus FT Index. 1.30 Thames News with Robin Houston. 1.50 Van Der Valk. 2.30 Monday Matinee: Rachel Roberts in "A Circle of Children." 4.15 Porky Pig. 4.20 The Sooty Show presented by Matthew Corbett. 4.45 Murphy's Mob. 5.15 Gambit. 5.45 News. 6.00 Thames News with Andrew Gardner and Rita Carter. 6.25 Help! with Viv Taylor Gee. 6.25 Crossroads. 7.00 Nature Watch. 7.30 Coronation Street. 8.00 Union Castle. 8.30 World in Action. 9.00 Mister Starting. Dennis Waterman and George Cole. 10.00 News. 10.45 Looks Familiar: Denis Norden invites Diana Dors, Farley Granger and Larry Grayson to take a trip down the show-biz memory lane. 11.15 Thriller: Gayle Hunnicutt in "Colour Him Dead." 12.35 am Close: Sit Up and Listen with Mary Craig. † Indicates programme in black and white.

All IBA Regions as London except at the following times:—

ANGLIA 1.20 pm Anglia News. 2.30 Monday Film: "Totter Tots," starring Jean Kent. 6.00 About Anglia. 6.30 Benson. 10.45 Anglia Reports. 11.15 Thriller: "Come Out, Come Out, Wherever You Are." 12.40 am Signs of the Seven. BORDER 1.20 pm Border News. 12.30 Film: "Seven Days to Noon," starring Barry Jones and Andre Mallet. 6.00 Look-around Special. 6.30 Hubert Grey Remembers. 10.45 The Monte Carlo Show. 11.45 RI Action. 12.30 am Border News Summary. CENTRAL 1.20 pm Central News. 12.30 The Monday Matinee: "The Fallen Idol," starring Ralph Richardson. 6.00 Central News. 8.00 Hill Street Blues. 10.45 Left, Right and Centre. 11.25 Central News. 11.30 Barney Miller. 12.00 Comed Close. CHANNEL 1.20 pm Channel Lunchtime News. What's On, Where, and Weather. 2.30 The Monday Matinee: "The Constant

Huband." 5.15 Worzel Gummidge. 6.00 Channel Report. 6.30 The Two of Us. 10.25 Channel Late News. 10.35 Jourdan'hui on France. 10.40 Golfing Greats (Tom Watson). 11.10 Thriller: "File It Under Fear." 12.30 am News and Weather in French. GRAMPIAN 9.25 am First Thing. 1.20 pm North News. 12.30 Monday Matinee: "True As A Turf," starring John Gregson, June Thorburn and Cici Parker. 6.00 North Tonight. 6.35 Country Focus. 9.00 Hill Street Blues. 11.30 Monday Movie: "X, Y and Zee," starring Elizabeth Taylor, Michael Caine and Susannah York. 12.30 am North Headlines. GRANADA 1.20 pm Granada Reports. 1.30 Survival. 2.00 Movie: Memorias. 2.30 Monday Matinee: "Soapbox." 6.00 Private Benjamin. 6.30 Granada Reports. 9.00 Quince. 10.45 Danger UXB. 11.45, RI Action. HTV 1.20 pm HTV News. 2.30 Monday Matinee: "The Promise." 6.00 HTV News. 8.00 Hill Street Blues. 10.28 HTV News. 10.30 Soap. 11.30 Star Parade. HTV Cymru/Wales—As HTV West except 12.00-12.10 pm Dacw Mam Yn.

to John Arlott. 11.00 Sports Show Special (Indoor Cricket Tournament). 12.00 Barney Miller. 12.30 am Company. TYNE TEES 9.20 am The Good Word. 9.25 North-East News. 1.20 pm North-East News and Lookaround. 2.30 Monday Matinee: "Bingo Spitz," starring Rex Harrison. 4.15 Cartoon Time. 5.15 The New Fred and Barney Show. 6.00 North-East News. 6.02 Mr and Mrs. 6.30 Northern L.A. 8.00 Hill Street Blues. 10.30 North-East News. 10.32 Briefing. 11.15 Hammer House of Horror. 12.10 am Chabon Hopps. ULSTER 1.20 pm Luncheon. 4.10 Ulster News. 5.15 That Monday Evening Feeling. 6.30 Good Evening Ulster. 6.30 Squares On. 10.25 Ulster Weather. 10.45 The Royal Line. 11.15 A New Kind of Family. 11.45 News at Bedtime. YORKSHIRE 1.20 pm Calendar News. 12.30 Monday Matinee: Seven Days to Noon, starring Barry Jones and Olive Storm. 6.00 Calendar (Emley Moor and Belmont editions). 6.30 Calendar Countdown. 10.45 With a Utter Help. 11.15 RI Action. 12.00 Superstar Profits. Down Your Way visits Dumfries. 11.48 Poetry Pleased. 12.00 News. 12.02 pm You and Yours. 12.27 Naked Radio 4. 12.55 Weather: travel; programme news. 1.00 The World at One. 1.40 The Archers. 1.59 Shipping Forecast. 2.00 News. 2.02 Woman's Hour visits Strithling. 3.00 News. 3.02 Afternoon Theatre (S). 4.30 Pedigree of a Nation. 4.40 Story Time. 5.00 PM: News magazine. 5.30 Shipping Forecast. 5.55 Weather; programme news. 6.00 News, including Financial Report. 6.20 I'm Sorry, I Haven't a Clue (S). 7.00 News. 7.05 The Archers. 7.20 Start the Week in Scotland (S). 8.00 The Monday Play: "Outside the Jewellers," by Karl Wojtyla (Pope John Paul II) translated by Bohuslav Taborski. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Science Now in Scotland. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News

RADIO 1 (S) Stereophonic broadcast (when broadcast on VHF) 5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.30 Paul Burnett. 2.00 pm Steve Wright. 4.30 Peter Powell. 7.00 Stavin' Alvis. 8.00 David Jensen. 10.00-12.00 John Peel (S).

RADIO 2 5.00 am Ray Moore (S). 7.30 Terry Wogan (S). 10.00 David Frost (S). 12.00 Gloria Hunniford (S). 2.00 Ed Stewart (S). 4.00 David Hamilton (S). 5.45 News. Sport. 8.00 John Dunn (S). 8.00 Folk on 2 (S). 8.00 Humphrey Lyttelton with the Beat of Jazz (S). 8.35 Sports Desk. 10.00 Monday Movie Quiz with Ray Moore. 10.30 Star Sound with Nick Jackson. 11.00 Peter Clayton with Round Midnight. 1.00 am Encore (S).

RADIO 3 6.35 am Weather. 7.00 News. 7.05 Morning Concert (S). 7.45 Music for Organ (S). 10.10 Callio and Piano recital (S). 11.05 BBC Scottish Symphony Orchestra (S). 12.05 pm Lauren Livingston's song recital (S). 1.00 News. 1.05 BBC-Lunchtime Concert (S). 2.05 Matinee Musicalia (S). 3.05 New Records (S). 4.55 News. 5.00 Manly For Pleasure (S). 7.00 A Grated Tenor (comedian of John Montague, whose collected poems are published this month). 7.45

RADIO 1

RADIO

IMB in 1981

The Directors of International Merchant Bank (Nigeria) Limited announce the audited Balance Sheet and Profit and Loss Statement for 1981

Table with columns for Assets, Liabilities, and Income Statement for 1981 and 1980. Includes sub-sections for HIGHLIGHTS, Balance Sheet, and Income Statement.

SUMMARY OF THE CHAIRMAN'S STATEMENT: New markets and products developed. Port-Harcourt Branch commenced operations. Promising prospects for 1982.

Professor Daniel I. Saror Chairman, Ehitimi E. Banigo Managing Director, Martin J. White Director.

IMB INTERNATIONAL MERCHANT BANK (NIGERIA) LIMITED. LAGOS, KANO, PORT HARCOURT. FIRST CHICAGO. The First National Bank of Chicago.

COMPANY NOTICES

NESTLÉ S.A. Cham and Vevey (Switzerland). THE 115TH ORDINARY GENERAL MEETING OF SHAREHOLDERS to be held at 3.00 p.m. on Thursday, 13th May 1982, at the "Palais de Beaulieu" LAUSANNE (SWITZERLAND). AGENDA: 1. Approval of the Accounts for 1981 and of the Annual Report. 2. Release from responsibility of the Board of Directors and of the Management. 3. Decision regarding the appropriation of the net profit. 4. Elections in accordance with the Articles of Association.

APPOINTMENTS

SENIOR TRADERS. A leading international investment group based in London requires Senior Traders. Candidates must have at least 5 years experience in international bond and stock markets.

ART GALLERIES

WHITECHAPEL ART GALLERY, White Chape, E1 1RN. DAVID CARRITT LTD., 15, Duke Street, London E.C.4. LEVEVE GALLERY, 50, Bruton St., W.1.

LEGAL NOTICES

NOTICE IS HEREBY GIVEN pursuant to Section 253 of the Companies Act 1948 that a Meeting of the creditors of the above-named Company will be held at La Plaidiere, St. Peter Port, Guernsey, Channel Islands on 1st day of June 1982 at 2 p.m. for the purposes provided for in Sections 254 and 255.

PUBLIC NOTICES

CITY OF EDINBURGH DISTRICT COUNCIL. 21st Promissory Notes issued 23rd April 1982 due 21st July 1982 at 12.00 noon. 0% per cent. Total applications £77m. 0% per cent.

CLUBS

WVG has outlined the reasons because of a policy of fair play and value for money that a Meeting of the creditors of the above-named Company will be held at La Plaidiere, St. Peter Port, Guernsey, Channel Islands on 1st day of June 1982 at 2 p.m. for the purposes provided for in Sections 254 and 255.

FINANCIAL TIMES

Head Office: The Financial Times Limited, Cannon Street, London EC4P 4DF. Telephone: 020 7556211. Telex: (Advertising) 832023. Telegrams: Financial Times, London. Telephone: 020 7556211. Fax: 020 7556211. Telex: 832023.

Vertical text on the right edge of the page, including 'FINAN' at the top and other illegible characters.

FINANCIAL DIARY INSURANCE

The following is a record of the principal business and financial engagements during the week...

Today: Automated Security (Hedon), Stafford Hotel, 16 St James's Place, SW1, 12.00... Board Meetings: Anglo-Continental, 12.00... Dividend & Interest Payments: Anglo-Continental, 12.00...

Underwriting losses double in 1981

By Eric Short

THE 1981 results of all the major composite insurance group confirm that the industry in the UK took a hammering last year. The table shows the aggregate experience of the seven quoted composite companies...

Table with 3 columns: Group, 1981 £m, 1980 £m. Rows include Underwriting losses, Net investment income, etc.

shows, dividend payments have been increased by one fifth on average, a surprising reward for such poor results. Insurance companies have been able to increase their dividends because income from the investment of the premiums...

The U.S. insurance market, the largest in the world, is well into the downswing of the normal trade cycle that affects insurance operations. But the trough is deeper than usual...

downswing on the trade cycle has been compounded by keen competition and authoritative interference. More than one insurance executive has described conditions in these markets as "chaotic."

clore estate injunction eased: JERSEY'S Royal Court has partially lifted a 1978 injunction to enable Stype Investments, a Jersey company set up to hold some of the late Sir Charles Clore's assets...

204 parcel price cuts for exporters from the Royal Mail.

Table listing 204 countries with their respective price cuts. Columns include Country, Old Price, New Price. Examples: Afghanistan £23.40 to £22.65, Albania £11.15 to £9.80, etc.

VIDEOTEX '82 SYSTEMS. CUNARD HOTEL, LONDON MAY 5-7 1982. Opening Times: 10.00 hrs - 18.00 hrs. Specially designed for businessmen who are aware of the need to make their company more efficient.

Price freeze continued! Earlier this year, postage rates changed. But Royal Mail Air Parcel rates stayed as they were, including all of last July's round of price cuts, as we then announced in this advertisement. If you were one of over six thousand business people who wrote for the price guide, you'll know what great value this service offers. If you haven't - send the coupon right away, and see how much money you can save by sending overseas air parcels the Royal Mail way.

Device aids hip operations: AN ELECTRONIC communication device is to be implanted into the bodies of hospital patients in a research project aimed at improving hip replacement surgery. A small ceramic device will transmit electronic signals to a computer from just signals to the skin surface.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

When doggedness won the day in Mexico

William Chislett reports on how tenacity overcame bureaucracy for a UK transformer manufacturer setting up a new factory

RICHARD MAUDSLEY, a young engineer with Parsons Peebles, the Edinburgh-based power transformer company which is part of Northern Engineering Industries, faced a daunting task when he came to Mexico three and a half years ago. He only spoke broken Spanish and yet he was expected to organise single-handedly the building and running of a joint venture factory in the face of Mexico's byzantine bureaucracy and after manoeuvres by his Mexican competitors to get the Government to call off the venture.



Phil Davis (left) did a considerable amount of spade work in Mexico. Richard Maudsley (centre) followed Davis to organise the building of the joint venture factory. Six years after winning the contract the factory opened (right) to the music of the Mariachis



Richard Maudsley (centre) followed Davis to organise the building of the joint venture factory. Six years after winning the contract the factory opened (right) to the music of the Mariachis

Earlier this month, however, Maudsley saw most of his dreams come true. The factory, an imposing yellow building set against an arid background of scrub and cacti near the bijou colonial city of Guanajuato in central Mexico, was formally inaugurated by senior Government officials. Order books are full for at least a year.

Moral

Parsons Peebles' struggle to establish itself in Mexico reads like a cross between a novel of intrigue and a textbook on how to do business in Latin America. And the moral of the story is that any company wishing to set up in what is still one of the world's fastest growing (despite Mexico's present economic difficulties) but difficult markets, needs plenty of perseverance and the patience of Job.

voltage power transformers, particularly the 400 kv version, to Mexico's Federal Electricity Commission (CFE). Its exports during that period were worth over \$15m and the company earned a reputation for very high quality. At one stage most of Parsons Peebles' output of transformers went to Mexico.

In the early 1970s the United Nations Industrial Development Organisation (Unido) began to encourage developing countries to seek high technology through joint ventures. CFE asked Parsons Peebles to take part in the international bidding, under Unido's auspices, to produce 400 kv power transformers for the first time in Mexico.

Leading Italian, French and Swiss manufacturers were invited, as well as another UK company, Hawker Siddeley. Parsons Peebles teamed up with a small Mexican power transformer manufacturer, CMA, and won the bidding in November, 1976.

However, a few months later—and after the new govern-

ment of President Jose Lopez Portillo had taken office—National Financiera (Nafinsa), the state development bank and the source of financing for the great majority of joint ventures in the capital goods sector, told Davis the bank could no longer put up any of the capital.

"The man from Nafinsa came to us almost with tears in his eyes," recalls Davis. Davis then approached three private banks, but they all turned him down because, he suspects, of common directorships. The links between banks and industry are almost incestuous in Mexico. Mexican banks participate heavily in industry. There is also no regulation of the conflict of interests in Mexico.

Davis also discovered that one of his two main competitors, the IEMA joint venture with Westinghouse, had taken up the matter at the highest political level and convinced the Government that there was no room for a third large power transformer manufacturer. The competitors also assured the Government that they would start to make the 400 kv transformers themselves.

"We then went into the wilderness for a year," says Davis. But he had far from given up hope.

"After all the work we had put into Mexico it was a hell of a thing to walk away." So backed up discreetly by CFE, which was displeased at the way its prime customer had been treated, Davis went underground in order, he says, "to persuade the opposition that we really had given up."

Davis could see the enormous potential of the oil-rich Mexican market, which he believes is the fastest growing in the world for electricity output and will have to increase eightfold by the year 2000 if the country is to meet its goal of doubling industrial capacity every seven years and fulfil the domestic needs of a 70m population growing by 2m a year.

Davis realised he could not go to the Mexican banks again since they would have told his competitors that he had not pulled out, but he realised that without their participation it would be difficult to find a single partner with sufficient capital. The government vigorously insists that foreign

capital in a joint venture be limited to a maximum of 49 per cent.

Davis therefore decided to break down the capital among three partners—his agent, Casa Valentin, from the days when Parsons Peebles started to export to Mexico, a local family from Guanajuato, and the power transformer manufacturer, CMA, with which Parsons Peebles tried to link up in 1976.

The combination was perfect. It provided Parsons Peebles with all the ingredients needed in Mexico for a joint venture to be successful, connections with the government, a thorough knowledge of the market and good local contacts.

Since Mexican businesses find it difficult to commit much capital on a long term basis, the initial capital outlay was set at only £100,000. Parsons Peebles took the 49 per cent stake and split the rest equally among its three partners. The capital has since grown to £1.5m as the partners have gradually increased their participation, often month by month.

Green light

In the meantime Davis had several furtive meetings with government officials sympathetic to his cause, all of whom gave him their verbal—but not written—support.

Finally, in the summer of 1978, armed with a joint venture agreement and the same site which had been bought for the failed 1976 venture, Parsons Peebles went to the government and got the green light.

Davis recalls that the Government told him "We always knew you could do it." And by then the opposition took Parsons Peebles' return as a fait accompli.

Now enter Maudsley to face a green field site and, after a six-day intensive course in Spanish, the onerous business of starting the construction of the company, arranging for local finance for working capital and managing the concern.

The construction problem was solved easily, rather than ask large national builders to do the work and then wait months for promises to be met, Maudsley went direct to local construction companies in Guanajuato. The contract was a major one for small local

builders and they jumped at it. But no water could be found. Guanajuato had been chosen as the site for the factory because of its good connections with the rest of Mexico, being near to the pan-American highway and the railway, and also because power transformer plants ideally need dry, non-humid climates like Guanajuato's—which is so dry that the city is famous for its mummies. Bodies buried centuries ago have been discovered almost intact.

But after Parsons Peebles spent 300,000 pesos (£12,000) on digging a well that did not come up with much water, a local water diver, brought in by the workforce for only 300 pesos (£12), used a forked stick and found water just 20 feet away from the well.

Obtaining peso financing was not so easy. Mexican banks are much more demanding than UK banks about guarantees. They are not prepared to enter on a shared-risk basis. Maudsley said the new company would be the guarantor but the Mexican banks said it could not be until it was finished. Maudsley said he could not build it until he had the financing and so on through 10 banks.

Finally Lloyds came up with a \$1.25m loan and loans for 45m pesos were obtained from a central bank fund and Somex, a predominantly government-owned bank.

But there was one dramatic moment when the Bank of Mexico, the central bank, insisted that Parsons Peebles prove that a third producer of transformers was needed, before it would grant any money.

Maudsley thought that issue had been solved with the go ahead of the joint venture. An elaborate and expensive study was duly commissioned from a Mexican firm and the central bank was convinced.

Parsons Peebles is now reaping the rewards of its hard work. Turnover in the first year of operations is put at about \$4m. There are plans to double the present capacity to build three to four transformers a month by 1990, and to export to Latin America when the Mexican demand slackens.

"If anybody else decides to come into Mexico now I think we would fight harder than our competitors did when we came in," comments Maudsley.

Accountancy

A case for putting an end to reporting anomalies

BY MICHAEL LAFFERTY

IT IS HIGH time that financial institutions of all kinds were subjected to the same public reporting requirements as industrial and commercial companies. At present, merchant banks, insurance companies, discount houses, a few large shipping companies, and pension funds are subjected to a far lower level of public accountability than their industrial and commercial counterparts.

All of these institutions, apart from pension funds, are permitted by existing company law to maintain undisclosed hidden reserves, to smooth earnings from one year to the next, and to understate their net worth. The pension funds are in an even more extraordinary position, because company law does not extend to them at all. They need not bother to publish financial statements in any form.

The privileged position of all these organisations is increasingly being questioned, but most attention has so far focused on the banks. All are anomalies in a nation otherwise distinguished for the high standard of financial reporting of its private sector industries. One of the first encouraging indications that parliamentary opinion would be in favour of tougher reporting rules came a few months ago, when the House of Lords debated EEC proposals on the annual accounts of banks. Prior to that a select committee of the Lords had concluded unanimously that banks should not be permitted to maintain undisclosed reserves.

Proposition

The House of Lords select committee took as its starting point the proposition that it was for the advocates of undisclosed reserves to make out the case for them. Lord Flounden, the committee chairman, said that three main lines of argument had emerged in favour of allowing banks to have undisclosed hidden reserves.

One argument is that bank profits fluctuate erratically, with the result that the figures for any one year may be misleading. But Lord Flounden dismissed this by pointing out that banks are not unique in having fluctuating profits, while "it is always open to a company to provide further information to explain fluctuations..."

The second line of argument takes the view that disclosure of true results would jeopardise the confidence of depositors of the bank concerned, and possibly others too.

But here, too, the Lords committee chairman found the reasoning flawed. "Not only are markets better informed and less likely to be seized by panic at the appearance of bad news but it is very doubtful whether in a real crisis the ability to conceal the truth can be effective in allaying anxieties. Surely the best way of stopping damaging rumours is often to be open and to give the facts."

The third type of argument which the committee heard concerned competitive quality between different types of bank. Here the suggestion is that smaller banks like the accepting houses might find it harder to attract business and would thus be at a disadvantage when competing with banks elsewhere in the world which continue to have hidden reserves.

Dealing with this Lord Flounden commented: "But in view of the many weighty objections to undisclosed reserves, smallness seems a doubtful reason for allowing them to remain."

The House of Lords committee's report, and the subsequent debate, are remarkable for several reasons. The committee itself included a number of prominent bankers, including the former governor of the Bank of England, Lord O'Brien of Lothbury. They almost certainly held different views not so long ago. The subsequent debate on the floor of the House included a number of exceptional speeches.

In one Lord Seehohn, until recently a director of Barclays Bank, argued that by removing the merchant banks' and discount houses' exemption "the spur to efficiency, managerial discipline, and competition will be beneficial." Lord Seehohn ought to know, since Barclays only started to publish true and fair accounts about 12 years ago. This is a powerful point, since many clearing bank executives speak privately of the incentive to gain market share and increase profits which the move by the clearers towards full disclosure brought in 1969-1970.

Among the dangers associated with allowing banks, or any financial institutions, to publish

accounts which do not have in tell the truth is the possibility that bank management itself—including directors—may start believing the inaccurate published data, or at least concentrating attention on this.

Some bank auditors say this actually happens in some City-based banks.

Another senior Barclays executive, Lord Camoys, took the debate directly to the heart of the merchant banking ethos of the privileged accepting houses: "... no longer are they the only innovators in our banking industry—if ever they were. In their concern, I believe that they belittle themselves and, rather strangely... they have certainly belittled their few large customers. If I was one of those considered not to be able to read their full accounts responsibly, I would certainly consider moving my business elsewhere."

Forceful

The most forceful contribution of all undoubtedly came from Lord Benson, industrial advisor to the governor of the Bank of England, and former senior partner of chartered accountants, Coopers & Lybrand. Referring to evidence from the German Bankers Federation to the effect that it is dangerous to give depositors and shareholders information that they cannot understand, he commented: "Apart from the arrogance of the statement, it displays an attitude of business morals and business ethics which I find totally repugnant."

If this is the way that senior bankers and members of the City establishment are already thinking about banks, is there any reason to believe that they would treat insurance companies or pension funds more leniently.

The days of the exempt and privileged financial institutions are undoubtedly coming to an end in the UK. The Department of Trade, the Bank of England and the accountancy profession should now take action to bring the law into line with the interests of shareholders, depositors, policyholders/savers, employees—and not least management efficiency. Michael Lafferty is Editor of Retail Banker International, and FT World Accounting Report, 1982 4th Report.



Highlights from the statement by Ernest Beaumont, Chairman.

The results for 1981 reflect greater efficiency in the management of our businesses and the elimination of loss-making operations. This, together with the reduction of our reliance on profits from the tobacco industry, is the key to the success of the Group's new strategy.

The analyses of profits by activity, published in the Directors' Report for the first time this year, show that 42% of profit was derived from filter operations in 1981, compared with 71% in 1980.

Merchandising operations show increased profits, from £1,444,000 to £2,850,000 and now account for 33% of the total.

The plastics and packaging operations of the Filtrona division have also increased profits, whilst the Industrial division is now making a reliable contribution to the Group's overall performance.

The profit of Jersey Paper Company is included for the first time. Other acquisitions in the paper distribution field, finalised since the end of 1981, are confidently expected to provide an important source of revenue in the future.

| Financial Highlights (£'000) | 1981 | 1980 |
|------------------------------|---------|---------|
| Turnover | 245,652 | 169,528 |
| Profit before tax | 11,593 | 11,148 |
| Earnings for shareholders | 6,116 | 6,698 |
| Dividends | 2,095 | 1,883 |
| Earnings per share | 23.4p | 25.6p |
| Dividend per share | 8.0p | 7.23p |
| Net assets per share | 255.7p | 240.2p |

Copies of the report and accounts for 1981 are available from: The Secretary, Bunzl plc, Fenchurch House, 21-24 Chancery Street, London EC2Y 4UD.

Business courses

New techniques for decision making. Uxbridge. May 13-14. Fee: £270. Details from The Secretary, Management Programme, Brunel University, Uxbridge, Middlesex UB8 3PH. Organisation and management of quality control. Brussels. May 24-26. Fee: BFr 27,500 members, BFr 31,500 non-members of the International Management Association. Details from Management Centre, Europe Avenue des Arts 4, B-1040 Brussels, Belgium.

Recruitment, interviewing and selection. London. May 13-14. Fee: £210. Details from Tack International, Tack House, Longmoore Street, London SW1V 1JJ.

Computing for engineers. Southampton. May 11-13. Fee: £225 (plus VAT). Details from Courses Department, Computational Mechanics Centre, 125 High Street, Southampton SO1 0AA.

Executive action programme. Stratford-upon-Avon. May 16-27. Fee: £1,250. Details from Wales International Management Centre, 6-8 Albany Road, Cardiff CF2 3RP.

Finance for the non-financial executive. Slough. May 17-21. Fee: £345 (plus VAT). Details from Urwick Management Centre, Bayliss House, Stoke Poges Lane, Slough, Berkshire SL1 3PP.

Effective speaking. Merseyside. May 10-11. Fee: £46. Details from School of Management Studies, The St Helens College of Technology, St Helens, Merseyside WA10 1PZ. Managing through consent. Kent. May 16-23. Fee: £1,100. (Plus VAT). Details from Sundridge Park Management Centre, Bromley, Kent. BR1 5TP.

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BUILDING AND CIVIL ENGINEERING

Drive to maintain housing standards

With private housebuilding activity rising for the second year running, the industry is stepping up its efforts to ensure that quality of workmanship in reducing the number of defects found in new homes.

standards in the private housing sector had been improving for a decade and that the NREBC had been instrumental in reducing the number of defects found in new homes.

The price of pavement potholes

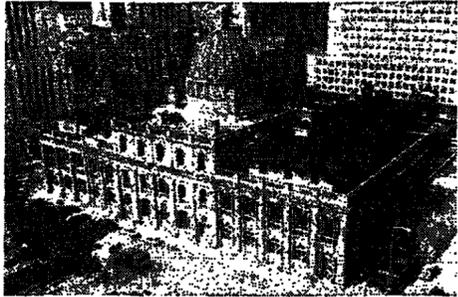
Britain's cracked and potholed pavements are costing £50m a year to maintain but that does not appear to be enough, according to a report published by the Standing Committee on Highway Maintenance.

about 10 per cent of the total expenditure on all forms of highway maintenance. Because of the highly labour intensive nature of the work in carrying out the highly mechanised nature of carriage-way maintenance the costs of footway maintenance are shown to be relatively high.

Supreme Court saviours

WORLDWIDE recognition that the rapid expansion of modern, high-rise buildings can destroy the traditional character of entire cities has—apart from any cost considerations involved—led to a growing emphasis on conservation.

In Hong Kong, many of the grand old colonial style buildings have been swept away and have been replaced by office blocks of the type which dominate city centre skylines around the world.



like this. It was very much feeling your way as you went along," said Mr Williams. It was decided not to attempt to raise the building which will, externally, maintain its slightly lop-sided appearance.

The future for the preserved courthouse building has still to be decided. Options presently being considered include using the building either as a court of appeal or, more likely, as an exhibition, conference and banqueting centre.

ARCHITECT/BUILDER Required experienced Architect/Builder for a new hospital (136 beds) in Indonesia. Basic preliminary building design already available and need Architect/Builder—specialising in hospitals—to make detailed drawings.

What's new in building

From Finland comes a high-powered hydraulic hammer which promises greater safety and output in mines and quarries because it eliminates the need to use explosives for secondary rock breaking, and is faster than most comparable machines for breaking up reinforced concrete structures or foundations (as well as frozen ground) claims Rammer Oy, Tavalkatu 8, SF-15170 Lahti 17.

Designed to reduce internal heat loss by insulating roof lights without adding significantly to the weight borne by the roof structure is a product called Sealtherm made by Solaq of Chadwell Heath, Stockport. This has undergone tests at Salford University industrial centre where results indicated that in typical conditions heat loss would be reduced by some 45 per cent by the inclusion of Sealtherm panels.

AROUND THE INDUSTRY

DEVELOPERS overwhelmed by the vast array of financial incentives and grants provided by Government, local authorities and various development agencies, can now turn to a new 500 page guide providing detailed information of incentives available.

DUNLOP SEMTEX Flooring & Screeding NATIONWIDE Consult 01-902 9441 Contract Service Division

Advertisement for Bedford trucks and vans. Includes images of various models like HA Vans, Chevonne, KB Pick-ups, CF Panel Vans, CF Chassis Cabs and Cows, and TL The cab Mediumweight Trucks. Lists specifications and contact information.

Advertisement for Bedford trucks. Text: 'You will find Bedfords working in just about every business you can think of. Because whenever we've thought we can do a good job of supplying a vehicle for a particular need—we've done it.' Includes the slogan 'BEDFORD MEANS BUSINESS' and a GM logo.

UK CONTRACTS More work for Norwest

COMPANIES IN the NORWEST HOLST group announce a batch of new work which is worth £8.9m. The northern region of Norwest Holst civil engineering has four jobs with a total value of £4.4m, including Northumbrian Water Authority's £2.5m interceptor sewer at Redcar.

BOVIS CONSTRUCTION has been appointed managing contractor for the £3.2m refurbishment of a one-storey office block medical and general Life Assurance Society property in Chiswick High Road, London, W4.

TURRIF CONSTRUCTION has been awarded a contract by the Thames Valley Police Authority for the construction of the Police Headquarters at Milton Keynes. The project is worth in excess of £1.5m and work is due to commence this month.

BUSINESSMAN'S DIARY UK TRADE FAIRS AND EXHIBITIONS

Table listing UK trade fairs and exhibitions with columns for Date, Title, and Venue. Includes events like International Ideal Homes Exhibition, Storage Handling and Distribution Exhibition, and ELA Engineering Exhibition.

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Table listing overseas trade fairs and exhibitions with columns for Date, Title, and Venue. Includes events like Hanover Fair, Agricultural Industry Exhibition, and Health, Safety and Environment at Work Exhibition.

BUSINESS AND MANAGEMENT CONFERENCES

Table listing business and management conferences with columns for Date, Title, and Venue. Includes events like International Chamber of Commerce: Financial Futures Markets, and Lloyds of London Press: International Maritime Seminar.

Financial Times Conferences

GOLD AND THE INTERNATIONAL MONETARY SYSTEM Montreux, Switzerland, one of America's most influential economists, will be delivering two major papers at this Montreux meeting—one on the domestic situation in the United States in the light of the work of the Gold Commission and the other on developing U.S. policy on the international use of gold.

TECHNOLOGY

EDITED BY ALAN CANE

Max Commander looks at two industry surveys and reports on some latest products

Continental moulders better organised

TECHNICALLY the UK die and mould making industry does not lag behind the rest of Europe, but Continental toolmakers are better organised and have more control of work flow through the shop. Dominating this area of engineering is the slowly declining level of skill available.

This is just one of many conclusions reached in a survey of the die and mould industry in Britain carried out by the Science and Engineering Research Council.

The report, while pointing out that sophisticated machine tools are available, those for the production of complex cavities are still very expensive and their application requires new kinds of skills.

Unfortunately, says the survey, toolmaking companies are not prominent investors in NC CNC and CAD/CAM techniques, and with a few creditable exceptions among small companies, only the toolrooms of the bigger manufacturing organisations deploy these techniques.

Defining objectives of fine finishing

Grinding, traditionally, and still regarded as a process with a role restricted to fine finishing, has also come under the scrutiny of SERC in a second report entitled "Research on the problems of grinding technology."

In a list of objectives (briefly, high stock removal, metal rate, conventional role finishing, and adaptive control—that is to identify the operational parameters and so embody these in automatic control systems) the report points out that the objectives embrace one of the most complex of metal cutting processes.

Separate technologies have evolved for abrasive wheels, tools to sharpen and drive them. Stimulus to the planned research lies in new developments in microprocessor controllers and high torque servo-motors.

The two Surveys (Reports on Dies and Moulds and Research on the problems of Grinding Technology) are available from SERC at Polaris House, North Star Avenue, Swindon, Wilts. (0793 26222). The man to ask for is Mr Jim Sadlier.

AMONG the latest offerings from industry are: The Addison SC 350 rising saw. It's suitable for rounds up to 120 mm O/D, 110 mm squares and sections up to 182 x 83 mm. It costs less than £3,000. Full details from 01-993 1661.

A twin spindle headstock with 30 station tool change units is an attraction in the V-102S vertical machining centre from Yamazaki. (More on 0905 57024.)

Introduced at the Metcut Exhibition was the Ward Crusader lathe. It is a bar or chuck machine with 38 mm, 50 mm or 63 mm diameter bar capacity. Harold Hazzard of H. W. Ward (0905 52524) will provide technical details.

Rock drills

High Speed Production (01-549 3401) has produced a brochure detailing its toolmaking, precision machining, pressings, sheet metal parts and sub-assemblies service.

Down-the-hole button bits of 90 mm diameter in four types for drilling granite, quartzite, limestone and pumice are now available from Fried Krupp in Essen. More on 0201/188-2823, or Telex 0857385.

An X axis of 1500 mm and a Y axis of 1000 mm with up to 999 locations are facilities in the new SIP 700 boring and milling machine from Societe Geneveise. Newport Pagnell (0908 611460).

Already in use in Japan and the U.S., a new model of the SRT Kikukawa multi-rip and cross saw is to be introduced to the UK. With five rip saws and a cross cut, the machine is designed for the staggered cutting of panels. Details from Peter Hill (0628 37648).

Allen Bennett, the Sheffield-based manufacturer of AC and DC motor speed controls, has launched a new range of inverter drives for standard induction 3-phase machines. At the lower end of the range are five and 10 hp transistorised PWM inverters with a simulated sine-wave output. From 15 to 200 hp the design is based on a six pulse DC link. Full details on 0742 863381.

Small batch

From Machine Tool Agencies in Warwick (0926 496361) there is news of a Soviet built universal cylindrical grinding machine. It



Krupp's new down-the-hole button bits for various types of rock.

is designed for external and internal grinding of cylindrical, taper and flange surfaces in one off or small batch production. Accuracies of within 0.002 mm can be achieved, it is claimed.

Angle notching

A new range of boiler water level control systems has been introduced by the Huddersfield-based Shaw, Son and Greenhalsh. The launch follows some years of field trials on a float operated on/off system. The company is at 0484 32425.

For the professional market is the new Chalutorch, a gas blowtorch with a concentrated flame which can be connected to a 1.5-3.0 bar propane regulator. More from Camping Gaz International. Windsor 55011.

Versa-Notch is an hydraulic variable angle notching machine capable of notching from 30° to 120°. Maximum capacity is 200 x 200 x 4 mm. Features include 60 strokes per minute, inching control and squaring guides

with adjustable face. Versa Machinery in the sheet metal machinery field will tell you more at 01-965 5354.

Agents, Skerman Promac, 162, Windmill Road West, Sunbury-on-Thames (08327 89646) is to offer in the UK the Fuji cling or stretch film wrapping machine which does not require a supporting tray. The machine can complete about 15 completed packs per minute of loose bundles of leeks, asparagus, carrots, apples, etc. "It's popular in Japan and the U.S.", says Skerman.

Rake teeth

A positive rake hacksaw blade—the "Positive 10"—can outperform all other blades on hard materials and is more efficient on softer materials. This extravagant claim comes from Sandvik in the Midlands. Its new bimetal blade has 10° positive rake teeth with bevelled corners and is available in standard sizes from 350 to 750 mm. Sandvik is prepared to substantiate on 021 550 4822.

'Chemical canaries' sense oxygen levels in mines and sewers

BY ALAN CANE

CITY TECHNOLOGY received its Queen's Award for the development of "chemical canaries." It manufactures a robust, low cost device which senses the amount of oxygen in the atmosphere—a major use is monitoring the air in mines and sewers, a job which used to be the lot of caged birds.

Increased

The Health and Safety at Work Act was the chief stimulus behind the City Technology (an offshoot of City University, London) move into the manufacture of commercial oxygen sensors. According to Mr A. D. S. Tantrum, its managing director, all the technical innovations were ready in the laboratory; it was the dramatically increased demand as a result of the Act which convinced the City University that it should sell its ingenuity.

Oxygen sensors are based on battery technology. Oxygen reaches an oxygen electrode where chemical reduction takes place, generating an electric current. A barrier round the electron allows the oxygen to reach the electron at a rate proportional to its concentration in the atmosphere. So measurement of the electric current produced is a measure of oxygen concentration.

Earlier forms of oxygen sensor had their disadvantages; the barrier was made

of thin plastics material and oxygen had to dissolve in the plastics to pass through it.

The sensors needed correction for changes in temperature and pressure and were not well suited to working in the real world.

What City Technology did was to replace the plastics barrier with a solid metal cap pierced by a single capillary hole, seven thousandths of an inch thick.

Oxygen now reached the electrode by gas-through-gas diffusion, solving the problems of robustness, temperature and pressure.

They can also be manufactured cheaply. The City device costs £20 in quantity and has sold some 60,000 of them. They go chiefly to instrument makers who incorporate them in a variety of devices such as air purity sensors, instruments to measure the efficiency of boiler furnaces and devices to check that the level of oxygen in the gas used to flush out the empty tanks of oil tankers is at a safe level.

Device

Like batteries they wear out; City guarantees them for six months and expects them to last for nine.

Neotronics of Bishop's Stortford won its Queen's Award this year for an energy management device incorporating the City sensor. More of that another day.

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(0442) 61201

Courses on water purification

THE School of Water Science, the educational trust based at High Wycombe has started running courses on Water Management for Package Boiler Systems, and Options in Boiler Feed Water Treatment.

The courses follow research by the school which suggests that ignorance about water purification technology is leading to substantial losses among the estimated 25,000 industrial units in the UK which have one or more steam raising or hot water boilers. Details of the courses on 01-839 4036.

Welsh move for robots

PENDAR ROBOTICS has been formed, financed by Technical Development Capital and the Welsh Development Agency.

Located in Ebbw Vale, Gwent, the company, a subsidiary of Pendar of Bridgewater, has been set up to produce and market low cost flexible robotic systems for use in a wide variety of industrial environments. First product is Placemat, a pneumatically operated, self-programmable unit developed in conjunction with Surrey University. It sells within the price range £12,000 to £15,000 and orders have already been taken in the UK, Germany, the U.S. and the Far East.

Paper Board's call for training

MR A. E. POWELL, chairman of the Paper and Paper Products Industry Board has warned that unless the fibreboard packing case and folding carton industries take urgent steps to improve training in response to technological change, the consequences will be "disastrous."

His warning comes in the foreword to two reports prepared by the Science Policy Research Unit at Sussex University which identify the major problems both industries have to tackle in the face of technological change. The report on the fibreboard

packing case industry points out: "The introduction of electronic controls and the general sophistication of machinery means that maintenance requirements are changing... it is unlikely these requirements can be overcome by buying in trained personnel or through existing training approaches."

"Many firms are not yet confident they can solve the problems associated with the introduction of new technology. New training approaches are necessary if the industry's future prosperity is to be secured."

On the folding carton industry, the Sussex researchers say: "There are grounds for concern that the training arrangement now proposed for the industry will be seriously inadequate to cope with the major training needs."

The two detailed reports give a picture of an industry sector where the implications of new technologies and commercial challenges have not been properly thought through, and where preparation for the future has been inadequate. The reports are available from the PPFITB, Star House, Potters Bar, Herts EN6 2PG.

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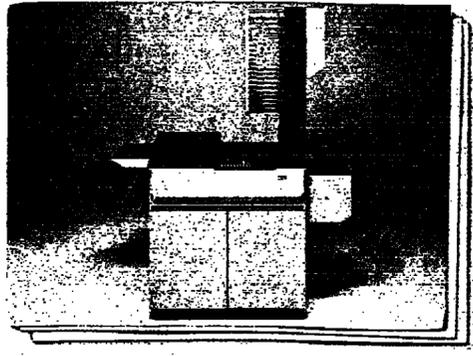
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Monday April 26 1982

JAPANESE COMPANIES

Why Japan still thinks small

By Charles Smith, Far East Editor in Tokyo

War in all but name

"TECHNICALLY," Argentina's Foreign Minister said yesterday, "we are at war." Sr Costa Mendez is right. Even if hostilities have not been formally declared, and in the modern fashion may never be, war is certainly very close.

The attempted recapture of South Georgia by the British yesterday was by itself exceptional. It is British; it was not much defended; and it should have been accomplished with very few casualties. Yet it does raise the fundamental question of what happens next.

That is the issue with which the Prime Minister and her Cabinet colleagues will have to deal when they face the House of Commons this afternoon. So far, by a combination of good luck and good management, the Government has achieved an impressively wide measure of support for its handling of the Falklands crisis, both at home and abroad. But there have always been questions lurking in the background. For instance, what happens if the mixture of diplomacy, economic sanctions and the military threat fails to work in time?

The Government is up against that problem now. True, the U.S. attempt at mediation has not yet been declared to have failed. The economic pressure on Argentina could be further stepped up by the Americans joining in the economic sanctions. And the landing on South Georgia could be said to be no more than a demonstration that Britain is serious. But the fact remains that the fleet is there. It cannot stay around indefinitely. The possibility that it may shortly be used for much larger engagements.

No one expects battle plans to be given away in advance. Yet the flaw in the British position is that if it comes to war, the military objectives are far from clear. The diplomacy is at odds with the military threat. It has been suggested in previous Government statements, for example, that the aim is to regain the Islands, then negotiate, but the principle that sovereignty was negotiable was codified before the present situation arose. To reduce that approach to the absurd, Britain

must recapture the Falklands in order to capitulate gracefully later. Those are very dubious grounds on which to enter a war, the outcome of which is bound to be uncertain.

There is also the position of the Islanders—not just in some hypothetical referendum in future, but now. If the Falklands are to be retaken by force, that will mean a naval attack and armed invasion. The lives of the Islanders will be in danger. That again is a dubious principle: it implies putting lives at risk in order to defend a way of life that Britain—as has been shown by the Argentinian invasion—cannot defend in the longer term.

Escalation
Further British military action would have to include not only the possibility of storming the Islands, but also of attacks on the mainland in order to incapacitate the Argentinian air force. That would amount to a major escalation and could endanger the many Britons living in Argentina. Again there would be no certainty of victory, however victory is defined.

It is these questions about which the Government needs to answer. But there is one other question that needs to be put this afternoon: it is why Britain has so far refused to return to the United Nations Security Council. It was the Security Council which backed the Government so comprehensively in the first place. That was before most people even dreamed of how the conflict would develop. Now that war is so close, it is time to go back and reaffirm support.

Herr Schmidt on trial

HERR HELMUT SCHMIDT, the West German Chancellor, survived severely critical votes last week at the congress of the Social Democratic Party, yet the best that can be said of his political health at the end of it is that "he is no better, he is much the same." That will remain true after a cabinet reconstruction expected this week.

The tumbling way in which he approached that shuffle, with names of possible appointees being hawked around for weeks, shows how much Herr Schmidt has lost of his former incisiveness. Wrangling within his own party and with the Free Democrats, junior partners in the coalition, have taken their toll.

Even the successes at the party congress have settled little. Delegates voted for the Nato policy of negotiating for a reduction of Theatre Nuclear Forces in Europe before deploying the more powerful American cruise and Pershing II missiles. But the matter will be reopened next year, the opponents still oppose deployment, and the waverers still waver.

Repetition
The defeat of an anti-nuclear motion to suspend new construction of nuclear power stations for two years has only postponed the showdown. The party's support for a more expansionary economic policy, even at the cost of higher taxes, may have put heart into the troops, but is bound to run into stiff opposition from the Free Democrats.

Similar
The Chancellor can be counted on to continue fighting for detente: so much is clear from his references to the Soviet Union as a "security partner"—though not an ally. He will also pursue his push for lower international interest rates: that is clear from his repeated attacks on the "neo-conservatism" of President Reagan and Mrs Thatcher. But he will be doing so from a shaky power base at home.

As a result increased political influence may shift to France, where President Mitterrand has been following similar international economic objectives. In preparation for this summer's economic summit, Mitterrand has already been recruiting an anti-Reaganomics alliance. There is something ironic in this, for in spite of all its troubles, the West German economy looks a good deal healthier than that of France.

Balance
Yet there is a general sense of foreboding in West Germany, deeper than actual economic performance would seem to justify. The reasons are historic. Once the war had destroyed most of West Germans took pride in industrial prowess because not only a source of affluence, but the basis of national self-confidence. A blemish on the economy therefore hurts more than in other countries.

ALTHOUGH often compared in the past with a bicycle because it so obviously ran the risk of losing stability as it slowed down, the Japanese economy can also be compared with a space rocket—specifically one with two stages.

Stage one of the Japanese rocket consists of the multitude of small and medium sized business enterprises which export and sustain the big export oriented companies that have launched the economy into orbit and in the process made Japan a by-word for industrial competition around the world.

Stage Two, of course, is the export oriented companies themselves. Japan's small companies have attracted far less attention over the years than the famous companies they support, but their role in forging the Japanese economic miracle has been crucial for all that. Exactly why this should be—and why small Japanese companies today are experiencing what are probably their most difficult business conditions in a decade—is explained in the following series of questions and answers.

What is so special about the role of small companies in Japan compared with their position in other industrial nations? First, the fact that there are so many of them. In 1981 about 6.4m companies were officially classified as "small and medium business enterprises"—meaning that they employed fewer than 300 workers or operated with less than ¥100m worth of capital. A significant proportion of the total consisted of the tiny "mom and pop" stores which (in the opinion of unsympathetic observers) clutter up the Japanese retail distribution system.

However Japan also has no fewer than 890,000 "small and medium" manufacturing enterprises, or roughly one for every 120 people in the country. This is more than twice as many as the U.S. and nearly 10 times the figure for Britain (allowing for the fact that different ways of defining small companies make precise comparisons difficult).

On a value-added basis small and medium enterprises boast about 57 per cent of Japanese output (versus 47 per cent for the U.S. and only 15 per cent for Britain). But small companies have a significance which goes well beyond what might be described as their "static" market share. For the best part of the last three decades they have also been one of the most dynamic sectors of the economy.

Why has the small business sector grown so much faster in Japan than in other countries? The usual explanation is that setting up a company from scratch in Japan is, and always has been extremely easy. This was particularly the case during the period of "ultra rapid" expansion that lasted from the mid-1950s until the eve of the 1973 oil crisis (during which the number of small companies

Japan has twice as many small companies as the U.S.—and nearly ten times as many as Britain. For the last 30 years they have been the critical first stage of the economic rocket that has made Japan a by-word for industrial competition. But times are hard, real interest rates are rising and Japan is worried that its small companies may not be able to take the strain.

grew by about 80 per cent). In pre-oil crisis days, Japanese interest rates were consistently maintained at artificially low rates which meant that it was easy and cheap to raise bank loans as working capital.

Another factor that contributed, and continues to contribute, to the proliferation of small companies is the Japanese taste for subcontracting. What this means, in a nutshell, is that most big companies prefer to farm out the manufacture of specialised components to independent concerns rather than make everything for themselves.

The classic instance of subcontracting in Japan is the motor industry where Toyota, for instance, depends on input from approximately 30,000 companies (ranging from relatively large to very small indeed) to produce one passenger car. Only about 200 out of these actually deal directly with Toyota, but these "main" subcontractors have their own suppliers who in turn may depend on still smaller and more specialised manufacturers for some of their inputs.

Does anyone today consider that small companies represent a weak point in the economy? Discussion about the economic pros and cons of small companies tends to get mixed up with political considerations: the mere fact that about 70 per cent of the nation's work force is employed in this sector means that small and medium enterprises represent a massive political "constituency" for the Ruling Liberal Democratic Party, more important even than its agricultural "constituency." However, leaving politics aside, it does look as if Japan has bene-



fited far more than it has suffered from having so much of its industrial production in the hands of small companies. One important point is that big companies tend to create "structural rigidity" in the economy whereas small companies contribute flexibility by virtue of the speed at which they appear and disappear. (According to one estimate about half the companies in the wholesale trade sector have "turned over" in the past two decades—in other words 50 per cent of those who were in business 20 years ago have been replaced by an equal or larger number of new entrants.)

A second advantage of small companies is that they enhance competition. Newly emerging Japanese industries nearly always attract large numbers of small entrants who compete for market share by cutting prices before dropping out in favour of a few "lean and mean" survivors when the industry reaches maturity.

Does the government do anything to help the small business sector or does it sit back and let things take their natural course? According to Mr Koji Omi, Director General of the Ministry of International Trade and Industry's Small and Medium Enterprise Agency (MITI), the basic policy is to encourage self help rather than provide subsidies. This certainly does not mean that the Government declines to spend any money at all. Around 0.5 per cent of the national budget actually goes on a variety of schemes for promoting technology development in small companies.

One such project provides grants for the establishment of "technology plazas"—groups of up to 30 small businesses from different industries which meet at regular intervals to discuss ways of pooling know-how and developing new products. Apart from direct financial inputs of this type the government provides low interest rates loans from funds deposited in the Post Office savings bank to three state controlled institu-

tions which specialise in small company financing. The three banks between them provide about 10 per cent of all funding for small and medium sized enterprises and do so at rates which are generally more attractive than is available in the private sector—if only because borrowers from state controlled banks are not expected to make the "compensating deposits" sometimes asked for by private banks. One of the three state banks, the National Finance Corporation, specialises in really small companies (chiefly those with 20 or fewer employees) and prides itself on having made loans to no fewer than 1.5m enterprises, nearly a quarter of all the companies in Japan.

With so many things going for them, can one assume that Japan's small companies will continue going from strength to strength—or are there problems on the horizon? In the past two or three years (during which the economy has plunged into what by Japanese standards, is a fairly severe recession) life has grown very tough indeed for small companies. The National Finance Corporation estimates that about 30 per cent of its clients are running at a loss (the National Tax Agency says 40 per cent) and that 18 per cent have already lost more than their original capital. As far as production is concerned small companies have started losing ground against big corporations since the late 1970s.

The hard times that small companies have been facing seem to be due to two things, one of which can be regarded as "normal" while the other could be a source of

serious future problems. The routine aspect of the situation is that small companies nearly always get squeezed in Japanese recessions because big companies take advantage of their superior bargaining power to delay payments to their suppliers while simultaneously running down their inventories. The second and more serious issue concerns interest rates. Small companies depend much more heavily on bank borrowing than their larger competitors—in part because no other source of funds is available to them—and real Japanese interest rates have risen rapidly in the past 18 months even though nominal rates look very low compared with those of other nations.

The problem of higher real interest rates (meaning nominal interest rates minus the rate of inflation) would not matter much if it could be regarded as a passing phase but this is very far from being the case. Because of progressive money market liberalisation by the Bank of Japan Japanese interest rates have become more responsive to external pulls, which, of course means that they are tending to get higher.

Does the interest rate problem mean that the golden age for small Japanese companies may be over? Not according to the MITI bureaucrats who make it their business to foster this portion of Japan's economy. They claim to be able to detect another new trend in the situation—namely the emergence of an increasing number of ultra-high technology small enterprises in industries such as computers and robots some of which are out-inventing companies that are 10 or 20 times as large. The technology explosion in small and medium enterprises in Japan is not caused by anything resembling the American phenomenon of "spin-off" from larger enterprises for the simple reason that, in Japan, people tend to stay put at the same company for life. What does seem to have caused it is the much more straightforward phenomenon of men who own small companies sending their sons to university to get better education than they themselves could afford.

In order to nurture the new generation of "venture businesses," as it likes to call them, MITI wants to revolutionise the system for financing small companies in Japan. This would be done by establishing a large, unified and easily accessible over-the-counter market for small company shares. The Ministry of Finance (MOF), which makes the rules for securities trading in Japan and which sees itself as the guardian of the investors' (as well as the nation's) solvency is not going to budge easily on this issue. But even MOF seems to be starting to realise that Japan could lose one of its most precious economic assets if it does not take steps to help small businessmen find new ways of raising capital.

حکومتی نے اپنے فیصلے کو نافذ کرنے کے لیے تمام اقدامات کیے۔

Men & Matters

Shields and defenders

Should you hear anguished cries while passing through Victoria, London, relax. It is only a judicial execution being carried out by an expert.

The Commission for New Towns is Britain's fattest quango with a portfolio stuffed with £500m worth of property and land. Its new chairman, Sir Neil Shields, aged 62, has just started work as the government-appointed executor to kill it off humanely "but damned quickly." His orders came from environment secretary Michael Heseltine.

As a company marriage broker, management consultant, and industrialist (his directorships include Central and Sheerwood and Chesham Amalgamations), Shields is well fitted for his task. And his political credentials are considered impeccable as a one-time Conservative candidate, now a party big-wig, and a council member of the free-enterprise loving Aims of Industry.



"The PM has expressed her disapproval... in triplicate"

Pastures new

In dark suits, ties and wellies, a group of bank managers were mucking out the pigs, milking and handling stock at the Harper Adams College of Agriculture last week. As "Big Farm Weekly" observed, the Trustee Savings Bank was "stepping carefully" into the new pastures of agricultural lending.

The managers had come out of their cubboards to learn enough about farming—including the mysteries of the common agricultural policy—to equip them to do business with potential farming customers.

The TSB's campaign to provide farmers with a no-frills lending and banking service has begun in the Wales and Border Counties regions. But the signs are that the Bank intends to challenge the Big Four more widely and vigorously for business in this field.

According to the farming

journal, the new competition will be welcome. It claims that some farmers have been charged up to £100 for what they regarded as routine visits by their bank managers.

Trade pattern

Cowboy boots, I am told, are the subject of a full chapter in William Ross's seminal work "The Sex Life of the Foot and Shoe." The author finds in them "a hard toughness... the boot itself feeds the undernourished sexual ego of the wearer."

But big macho boots are not enough in themselves to satisfy this need, still apparently widespread in the U.S., says Craig Veasey, of Tennessee's Acme Boot Company. "People do buy boots for their colour and exotic hides but the stitching is the most important feature."

Which is good news for the British United Shoe Company in Leicester. For the company, owned by the U.S. Emhart Corporation, makes computer-aided stitching machines which can weave a "Texas chic" pattern over the leather in little more time than it took Wyatt Earp to draw a bead.

Acme has bought 45 of Leicester's robot embroiderers, doing wonders for bruised male egos in the States and quite a bit for BUS's balance sheet as well.

In the wings

One man will be watching the preliminary results from John Crowther, the Huddersfield textile concern, with particular interest today. Not Trevor Barker, who in January 1981 acquired control, but Joe Hyman, the man who put Vivaldi together and later saw it all fall apart.

After Hyman was ousted from Vivaldi just before Christmas 1969 he transferred his affections to his native Lancashire to Yorksire and for nearly 10 years ran Crowther until he sold out to Barker, a

Sub poena

Canadian lawyer Samuel Weir left £813,500 in his will with a request that it should be used to pay for a "great evening out each year for the law graduate with the lowest marks."

The Law Society of Upper Canada has turned down the bequest, saying that it could not go on record as condoning bad grades.

What price a child's smile

Sally is eight years old, she has never been able to walk and the brain damage she suffered at birth makes it difficult for her to control her movements.

For Sally, operating the lever that propels her wheelchair is a bit of a struggle. In fact it sometimes takes three or four minutes of hard effort to put her hand squarely on the control lever and move the chair.

Writing is difficult for her too. Even with one of our specially adapted electric typewriters, it can take her half an hour to write one sentence.

Yet, despite the frustration of living inside a badly damaged body, Sally has a lively, lovable personality and dearly enjoys a joke. She likes reading and singing too, and she's particularly fond of flowers.

It's hard to believe that when Sally first came to us, she hardly ever spoke and never smiled. As though her handicaps were not enough, Sally had suffered neglect and even violence from her parents. Hardly surprising then, that it took a long time and a lot of gentle, loving care before she gave us her first smile.

Our care knows no limits, but our money does. It costs a lot to run a residential home for severely handicapped children and to provide the specialist care and equipment they need if they are to make progress in spite of their handicaps.

£5 buys a pack of special work cards. £40 buys a set of reading books for children with learning difficulties. And it can cost up to £1,000 to buy a typewriter specially adapted for children who have only limited head, arm or foot movement.



Every £1 you send helps us give children like Sally a future. And it helps even more if you make regular payments by Direct Debit or Covenants (we'll send details on request) because that way we can claim back tax, so every £1 you send is worth £1.43 to us.

Please send what you can today to me, Nicholas Lowe, Appeal Director, Room 322, Dr Barnardo's, Tanners Lane, Ilford, Essex IG6 1QG. If you prefer to donate by Credit Card, please phone Telecard on 01-200 0200, quoting your card number and Barnardo's Room 322.

The true identities of our children are withheld to avoid distressing publicity.



Observer

ITALY'S ENERGY GIANT

The fierce battle to run ENI

By James Buxton in Rome

ON A grey Thursday evening last February Sig Alberto Grandi, chairman of the Italian state energy company ENI, was summoned to the office of the Minister of State Shareholdings, Sig Gianni de Michelis. He was told the Government wanted his immediate resignation, less than two-thirds of the way through his three-year term.

The question of Sig Grandi's competence was not raised. He was being sacked because he was associated with the Christian Democrat Party and the Government wanted to appoint a Socialist to run the company—the fourth largest in the world outside the U.S. It was, even by Italian standards, an astonishingly blatant example of political interference.

Urgent questions about the nature of Italy's political system

run ENI single handed for six months. After a grand-twisting Sig Enrico Gandolfi, the 56-year-old chairman of an ENI subsidiary, was made commissioner.

The result is that ENI now has its fourth boss in just over three years and will almost certainly get a fifth in the autumn. As might be expected, morale at the company, once the pride of Italy's post war renaissance, is low. ENI is heavily in debt and made a large loss last year.

The incident raises urgent questions about the Italian Government's control of the state industrial sector—admired in the 1960s as a model for other countries' nationalised industries—and about the nature of the Italian political system itself.

ENI—the National Hydrocarbons Institute—is primarily Italy's state oil and gas company. Its subsidiary Agip is a major force in a league of world oil companies, after the seven sisters, last year it produced or procured half

of Italy's oil supplies and accounted for about two thirds of ENI's total turnover of L57,500bn (\$29bn). But ENI is also heavily involved in engineering, chemicals, minerals, nuclear fuels and services.

The power that the running of this vast concern confers on its holder means that it can never operate in a political vacuum and its whole history has been intimately linked with that of the Italian political parties. Its heyday, on which its reputation is largely based, was the first nine years of its existence from 1953 to the death of its brilliant creator, Enrico Mattei in an air crash in 1962.

It is now the prime objective of Sig de Michelis to reform the whole state industrial sector: to cut its record losses which for last year are expected to reach 14,400bn, and the feather-bedding of much of the workforce and reduce its debt (totalling at least L30,000bn).

The Minister is a dynamic Socialist and has already reorganised some of the worst sectors of IRI (the Institute for Industrial Reconstruction—a hotchpotch of different interests). He has also told workers to their face that the show cannot go on like this.

But the Italian state sector has another function. Italy is the most politicised country in Europe and each political party is a vast apparatus whose tentacles stretch into every institution in the land. The funds that parliament awards the parties come nowhere near their needs, so they have long relied on the state sector as a major source of finance, patronage and (until recently) the creation of jobs in the fiefdoms of local party bosses.

ENI is caught between these contradictory objectives. On the one hand the best interests of the state would theoretically be served by its chairman being a technocrat, as was Sig Grandi who had little contact with parties. But as Sig Grandi's story shows, such a function cannot be performed without the co-operation and support of the politicians and can be undermined by fighting in the company itself.

This was something Sig Mattei well understood. He took over the already existing Agip after the war and infuriated the major



The ousted Sig Grandi

Hugh Rowledge

oil companies in the Middle East and in Italy itself by relentlessly trying to undercut them. He discovered gas and a little oil in the Po Valley in Italy and spread the ENI symbol of the six-legged terrier spouting flame along the Italian highways with the chain of Agip service stations.

To be independent Mattei needed political cover and he was prepared to pay for it. Primarily the predominant Christian Democrats, but also other parties of right and left, received payments from ENI, though Mattei himself refused even to take his salary. He was called the "incorruptible corrupter."

This, and the fact that ENI had only modest success in finding oil, had lasting effects. ENI was heavily in debt when Mattei died. His successor Eugenio Cefis, needed capital from the government and to obtain it he reduced ENI's exploration programme abroad, investing more in Italy to reward the politicians who favoured the company with domestic projects which provided patronage and funds.

Though ENI was enormously powerful under Cefis, it became an instrument of the Christian Democrats instead of an independent concern that bought support. It invested heavily in chemicals, but the chemical expansion was not a carefully

planned strategy based on strict economic criteria: it was a "chemical war" in which state and private groups competed to use state funds to build chemical plants where it was politically most expedient. Losses mounted and ENI initially had little attention to devote to the transformation of the energy scene after the 1973 oil price rise.

The result was that ENI became more dependent on the state for capital. In the late 1970s it was obliged to take over the mineral and textile operations of another state holding company which was being broken up. Instead of being a lean oil company it was gaining the characteristics of the amorphous IRI—lack of economic logic in its structure, heavy indebtedness and increasingly bureaucratic management, despite some technically and financially successful subsidiaries.

Nevertheless ENI had only four chairmen in the first 28 years of its existence to 1979 and the combination of a Christian Democrat at the top and another at the responsible Ministry of State Shareholdings meant stability for those who worked in it.

The recent dismal period in the corporation's affairs began in 1979 when a Socialist, Sig Giorgio Mazzanti, was appointed

chairman. His appointment was part of a deal between the Christian Democrats, the Socialists and the other parties of the centre left whereby the Christian Democrats would have the chairmanship of IRI, the Socialists that of ENI and the other parties would have, in rotation, the chair of the third industrial holding EFIM. This was in recognition of the fact that Socialist support was essential to any government.

Sig Mazzanti's chairmanship ended abruptly in December, 1978, in a scandal over the destination of part of the commission paid on an oil supply deal with Saudi Arabia at advantageous prices. Committees of inquiry have yet to establish where the payments went, though Sig Mazzanti himself has effectively been cleared. The most widely accepted theory is that the scandal was provoked by the Right-wing of the Socialist Party to blacken and thus neutralise its Left-wing.

The politicians involved were breathtakingly indifferent to the scandal's consequences for Italy: the Saudis cancelled the oil deal, cutting off Italian access to cheap crude at a time of rocketing prices. More important for them at the time was to get ENI to take over the chemical plants of two defunct private sector casualties of the chemical war—which further distorted its shape and its viability.

Sig Egidio Egidi was brought in as special commissioner to replace Sig Mazzanti and was named chairman in early 1980. But he resigned after only a few days because he refused to accept government nominations to the board, including that of Sig Leonardo di Donna. Finally the Government managed to persuade Sig Alberto Grandi, a technocrat who had worked under Mattei, to become chairman. He agreed to accept Sig di Donna as vice-chairman for the sake of political balance, being himself associated with the Christian Democrat Party.

Sig Gandolfi, the new special commissioner, has great powers in theory—the board has been dissolved—but little time to use them.

Under Sig Grandi, ENI developed strategies to deal with its vast chemical inheritance—including a joint venture

with the U.S. oil company Occidental. It started to tackle its oil supply problem, and repair relations with the Saudis and it concluded technical negotiations on gas supplies from the new Soviet pipeline.

But there was little harmony on the supervisory board. The executives became increasingly politicised and Sig Grandi himself preferred to work at the Milan offices of ENI, while Sig di Donna was all-powerful at headquarters in Rome. Thanks to the disastrous chemical sector (which alone lost L14,000bn in 1981), ENI's loss last year is put at L850bn, including capital write-offs.

Sig Grandi's position was weak because he had few supporters at the top of the party which appointed him and because the secret 1978 agreement yielding his job to a Socialist was a time bomb that could explode at any minute.

But the key questions are what happens when his six months expire, and how the Government wants ENI to be run. At one level it urgently

The problem is that of the basic stability of Italy

needs ENI to carry out its functions as a supplier of oil and gas efficiently and profitably, so that it can cease to be a burden on the state.

That would suggest the need for a more political figure similar to Eugenio Cefis—with whom Sig di Donna, the original Socialist candidate to replace Sig Grandi, is often compared. But Sig Cefis reduced the efficiency of ENI because of his political orientation, and was too powerful for most politicians to stomach.

The problem may be insoluble, and it is that of the basic stability of Italy. The Communists, as the second biggest party, are excluded from power. That reduces the competition between the other parties to a battle to get their men into important positions in every part of national life. The cleansing effect of one party going into opposition and another coming in to clear away the undergrowth is pre-empted because there is no financial cost, one additional "stop and think" barrier is removed.

Lombard

There are no cheap wars

By Samuel Brittan

Prince: Why, thou owest God a death. Falstaff: 'Tis not due yet: I would be loath to pay Him before this day. What need I be so forward with Him, that calls not on me? Well, 'tis no matter: honor pricks me on. Yea, but how if honor prick me off when I come on? How then? Can honor set to a leg? No. Or an arm? No. Or take away the grief of a wound? No. Honor hath no skill in surgery then? No. What is honor? A word. What is in that word honor? What is that honor? A trim reckoning! Who hath it? He that died a Wednesday. Doth he feel it? No. Doth he hear it? No. 'Tis insensible then? Yea, to the dead. But will it not live with the living? No. Why? Detraction will not suffer it. Therefore 'tis none of it. Honor is a mere scutcheon—and so ends my catechism.

Henry IV, Part 1.

The Falklands operations are going to have a cost, above all in human terms, but also in finance and resources. Military spending will be much higher than when the Government framed its Budget.

Yet long before he or anyone else has the slightest idea what these costs are going to be, Mr Peter Shore, Labour's Shadow Chancellor announces that he will strenuously oppose any tax increases or cuts in other kinds of spending to pay for the operations. His argument is that, as the economy needs a boost in any case, the operation should be financed by borrowing.

I find the attitude not merely an economic but above all a moral, co-out. Mr Shore is falling into the same trap as President Johnson over Vietnam and President Reagan over the present U.S. arms build-up, which they have supposed can be financed without anyone paying for it. The co-out is moral because it fosters the illusion that there is such a thing as a free war. The human cost of war is, to use a phrase, the paramount one. But if the pretence is made that there is no financial cost, one additional "stop and think" barrier is removed.

The argument about the Government's fiscal stance is a supreme irrelevance and indeed an example of the spurious technicalities brought up by those who want to talk away the costs of their policies. If Mr Shore were Chancellor he would presumably have already increased spending, reduced taxes and relaxed monetary policy as far as he considered wise. The Falklands expedition would then still come as an unexpected addition to government spending. Taxes would still have to be higher or other spending reduced to adhere to his fiscal stance. It is the marginal effect that matters for evaluating the cost.

If the Argentine Government is prepared, as it seems, to withdraw its troops, there is no moral justification for the British side to start a full-scale shooting war, however unsatisfactory the other conditions. On the other hand the fleet cannot be expected just to turn back if the Argentines can come back at any time they like. Barriers have to be erected, such as the presence of UN or U.S. forces, which the junta would think twice about taking on. A face-saving formula is also needed for both sides to get over the metaphysics of "sovereignty".

If we want to reduce the damage to the international order from the Argentine aggression at minimum cost in human lives, it is vital not to extend the hostilities even further but rather to shift the emphasis back to negotiation. In that case the operation will be neither quick nor cheap, and the least that comfortable citizens "how a bad" can do is to dip into their pockets.

Some people argue that it is immoral to worry about deaths, suffering and casualties when principles are at stake. This principle may occasionally entail the use of limited force to prevent even greater suffering in future from a breakdown of international order.

But a decision on the matter should be made by the international community—as it can be in a number of forums—and not by a government itself involved in the dispute.

Letters to the Editor

Cuba's growing economy and trade with Comecon

From the Commercial Counsellor Cuban Embassy Sir—You quote (April 6) a U.S. Congressional committee report that despite "some success in the social field" the Cuban revolution has been "an economic failure." It argues that the U.S. embargo has been a "crucial impediment," and Cuba has "benefited little" from its Comecon membership. We have yet to see this report, but your précis inspires little confidence. How can "social" successes accompany economic failure? Cuba's acknowledged gains in health care, education, housing, social security and other aspects of welfare can only have been accomplished on the basis of a

growing economy, rational planning and a commitment to social and economic advance. The idea that Cuba has failed to benefit from Comecon is absurd, especially in the context of the U.S. blockade. Sixty-five per cent of Cuba's trade is with Comecon, and co-operation with the Socialist countries has in no small measure allowed Cuba to withstand the siege laid by the U.S. since the revolution. Cuba has also been generally successful in diversifying its trade with the West, contrary to the report. The story of Cuba's economic "failure" is not new among Western commentators. It would take more than a letter to set out the counter-argu-

ments, but much of the case for "failure" is based on shabby data—assumptions, "guesses, hunches," etc.—produced from U.S. sources and widely repeated. One unfortunate side-effect of the U.S. embargo is that the Americans deny themselves access to official Cuban statistics which would permit a more informed and balanced judgment. While not minding constructive criticism from friends, and acknowledging the economic problems posed by low sugar prices, etc., we object to anyone—ever powerful—dressing up their own political cause with dubious economic arguments and phoney statistics. Justo Arnesto, 167 High Holborn WC1.

Planning in the dark

From the Chairman, Cannon Assurance Sir—I have read with interest Anthony Harris's article of April 22 and his, as well as the House of Commons Treasury and Civil Service Committee's criticisms of the Treasury's White Paper on public expenditure planning. In this publication the Treasury is moving from volume budgeting to budgeting in cash terms. The Treasury has always been able to defend itself most successfully and hardly needs my help. But in fairness it must be said that in their usual cautious way they took some soundings on this subject from the private sector and there was almost universal approval from that source for what they have now apparently done. No subject of this magnitude is ever either all black or all white but in a private sector organisation it is always considered that there is no point in planning in volume only if, say, at the end of the second year you are going to run out of cash! In my view the House of Commons Committee would be better off accepting the Treasury's new method and at the same time asking two simple questions: "What are your volume assumptions? What are your inflation assumptions? I think with the medium term plan presented in cash terms and broad answers given to the two questions they would then have all the information on which to make judgments. Alfred E. Singer, Latham House, 168 Memory, EC3

Investing for pensions

From the Chairman, Martin Peterson Associates Sir—There is a further and, I believe, more important point than that made by Mr Bannerman (April 20) about the way the contracting-out rebate has been calculated. The underlying assumption, given the right average age, is that schemes will be able to earn 1 per cent more than the rate of increase in national average earnings, with an adjustment to compensate for risk. About 1 per cent is allowed for the latter. Employers will have their own view on whether this adjustment is sufficient to compensate for the risk involved in meeting a target real return of 1 per cent per annum. But they should draw little comfort from past experience. In his report the Government Actuary draws attention to ordinary share returns over a 50-year period and compares these with earnings over the same period. One must question, first the validity of taking a 50-year period as he has done, and secondly, basing this on 100 per cent equity investment. Most people would argue that conditions in recent years have been so different from those in the years just before and just after the war that it is really irrelevant to look back more than, say, 20 years. This would then exclude the 1950s when there was a major market reappraisal of ordinary share prices and the first appearance of the reverse yield gap. If we go back about 20 years, investment in a 100 per cent equity index would show a real yield of exactly zero against earnings. But is the assumption of 100 per cent investment in equities itself reasonable? To start with, "insured"

schemes are certainly not invested 100 per cent in equities. The returns they afford being closer to those obtainable on gilts which over the same period show a negative yield against earnings of about 6 per cent. But since it is pretty silly to contract out if you have an insured scheme, perhaps we should leave these out of account. The fact remains that nearly all directly invested schemes have a proportion of their funds invested in gilts and the Government's own premium tables, which are available for use by contracted-out schemes in certain circumstances, appear to recognise this fact by being based on a 65 per cent equity/35 per cent fixed interest asset distribution. If we take this particular mix, then the yield over the 20-year period would be 1 per cent negative. In the light of this experience, one might expect a sensible board of directors to demand of the Government a much higher premium to take on a risk of this nature, with such a poor prospect on the evidence available of a profitable outcome. Martin Peterson, 10 Buckingham Place, SW1.

Tinkering about with taxes

From Mr P. Inman. Sir—How tempting it is, on reading your editorial of April 20 on the growing complexities of the tax law, to hope that there would be some measure which the Government could introduce which would free us, as it were, "at one bound." Experience should, however, by now have shown that the process of tinkering with the existing structure of taxation, and then hastening to block the loopholes opened up unwittingly elsewhere, is "never" ending,

Civil service pay

From Mr J. Heinson. Sir—I was interested to read that at the civil service pay arbitration tribunal hearing, the Treasury argued that no pay increase was necessary because there were, in general, many more applications than vacancies for jobs in the civil service; in the Inland Revenue for example, the ratio was about 8 to 1. I understand that there is also keen competition to become a member of the armed forces and the police force and that there are often more than 400 hopeful candidates for each MP's job. J. T. Heinson, 57 Pierrejones Avenue, Farnborough, Hampshire.

Advertisement for Alitalia Business Class Service. Features include: 'Introducing the Alitalia Business Class Service', 'It makes flying on business a pleasure', 'Superb comfort, superb service', 'Business class fares' table, 'Times to suit business travellers from Heathrow', 'Alitalia's unique Flying Boutique', 'Great value for holidaymakers too', and '...and extra value for economy class passengers'.

APPOINTMENTS

New chief at Ofrex group

Mr F. A. P. Hall has been appointed chairman and chief executive of OFREX, a part of the Gallaher Group. Mr Hall also becomes chairman of Frank R. Ford, the Detroit based manufacturing subsidiary of Ofrex. An Ofrex Group board member, Mr Hall is also executive director of the Fordigraph Consolidated Pty (Australia) and president of Ofrex Group (Canada). Mr Hall was appointed managing director of Ofrex's overseas operations in 1980 and was subsequently appointed managing director of the UK company in 1975.

Mr Anthony Metherell has been appointed chairman of JAMES WALKER GOLDSMITH & SILVERSMITH. Due to ill health Mr Gerald Sanders has retired as chairman but remains a director.

Mr R. A. Brook has resigned as company secretary of BROOKE TOOL ENGINEERING (HOLDINGS) in order to devote more time to the group's machine tool division, where he has been appointed chief executive. Mr Brook will remain as group financial director.

Mr I. C. L. Spencer has been appointed company secretary.

Mr R. D. Gee has been appointed vice-chairman of the LONDON GOLD FUTURES MARKET. Mr Gee is also a member of the board of the London Metal Exchange.

Mr Stephen Mallaly has been appointed vice-chairman of the Confederation of British Industry's Education Foundation. He was executive chairman of Understanding British Industry (UBI). Mr Tony Fisher has been appointed chairman of the UBI policy committee.

REDIFFUSION CHANNEL ISLANDS has appointed Mr S. W. Wells, general manager to the board.

Mr Brian Roiser will become managing director of the FERRYMASTERS GROUP on May 1. Mr Joost van Schijndel has been appointed to the new position of general manager of Western Europe, based in Rotterdam, Holland, and remains a director of Ferrymasters Group.

CONTRACTS

£20m work for Whittaker

THE WHITTAKER Corporation has been awarded contracts worth \$85m (£20m) to equip six new hospitals in Saudi Arabia and the United Arab Emirates. The contracts will be carried out by Whittaker Medical International, a unit of Whittaker's International Life Sciences Group.

In the United Arab Emirates (UAE), the company will equip 140-bed hospitals in the communities of Khor Fakkan and Dibba under contract to Al Naboodah Linn Company and Al Habtoor Engineering, respectively, both of Dubai, UAE.

In Saudi Arabia, it will equip 100-bed Ministry of Health hospitals in Tathleeth, Sarat Obaidah, and Al Mejaridah under contract to the French company, Copales, and a 50-bed Ministry of Health hospital in Sharoura under contract to MTSO-SSB, a Saudi-Swiss construction firm.

The contracts cover the installation of all medical and non-medical equipment for the six hospitals, as well as furnishings for staff housing in Saudi Arabia, and provide maintenance services for one year following installation.

PYE TVT, the broadcast company of Philips, has sold a 10kW UHF television transmitter to the Italian independent broadcaster Canale Cinque (Channel Five), through Philips SpA, Divisione Telecomunicazioni, Milano. The new transmitter contract, valued at over £100,000, is the first Pye TVT has received from an independent Italian channel, and the first large transmitter to be purchased by Canale Cinque.

An order for an aluminium reservoir roof has been won by BACO CONTRACTS. Worth about £74,000, the roof structure will cover an existing clear water service reservoir at Blackwells, near Denny in Stirlingshire. The finished aluminium Baco frame column and beam grid structure will cover an area 61.8 by 30.5 metres. Mill finish Rigidal

aluminium cladding will be fixed to the roof and walls of the structure, which will contain all necessary access doors and weather-proofing details.

RENOLO POWER TRANSMISSION has won an export order worth £150,000 to date for the manufacture of conveyor chains, chain wheels, gears and package drives for the tar decanter conveyors on the coke-oven plant, part of an extension project at the Pohang Iron and Steel Works in South Korea. This part order, won in the face of fierce international competition, was received by Renold (Deutschland) GmbH at Düsseldorf from Dr C. Otto of Bochum, part of the Salzgitter Group.

CHELTONIAN, Hampton, Middlesex, has entered into a contract with Foster Wheeler Energy Corporation to supply the Plus Series project management control system which will be used by Foster Wheeler engineering centres and project offices worldwide. The contract, including long term support, is valued at over \$2m (£1.1m). The system, which has been in operation at Foster Wheeler's Memphis project (U.S.), has been modified by Foster Wheeler over the past two years to suit its operational needs. The suite of programs covers networking, resource scheduling, data management via a relational database, risk analysis, including (for offshore projects especially) a weather factoring element, and a graphics package to provide management with coloured graphs, bar charts, "S" curves, etc.

TALBOT INSULATIONS has won contracts worth over £100,000 for Rockwool cavity wall insulation work on old people's homes and associated buildings in South Beds and West Norfolk.

This advertisement complies with the requirements of the Council of The Stock Exchange.

U.S. \$75,000,000

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- S. G. Warburg & Co. Ltd.

The Debentures, issued at 100 per cent., have been admitted to the Official List by the Council of The Stock Exchange, subject only to the issue of the temporary global Debenture. Interest is payable annually in arrears on 1st May, the first payment being made on 1st May, 1983.

Full particulars of the Debentures are available in the Eutel Statistical Service and may be obtained during usual business hours up to and including 10th May, 1982 from the brokers to the issue:

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26th April, 1982

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In accordance with the provisions of the Notes notice is hereby given that for the six months interest period from 27th April 1982 to 27th October 1982 the Notes will carry an interest rate of 15% per annum. The relevant Interest Payment Date will be 27th October 1982 and the interest then payable against coupon No. 2 will be U.S.\$4.034.90 per U.S.\$50,000 Note and U.S.\$403.49 per U.S.\$5,000 Note.

23rd April, 1982
By: Citicore International Bank Limited
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HAWKER SIDDELEY GROUP

1981 RESULTS

| | 1981 £m | 1980 £m |
|---------------------------------------|------------|------------|
| Sales | 1,395 | 1,205 |
| Trading profit | 127.5 | 110.8 |
| Profit before tax | 121.1 | 113.0 |
| Profit after tax & minority interests | 79.3 | 69.6 |
| Earnings per ordinary share | 40.1 | 35.2 |
| Dividends per ordinary share | | |
| First Interim | 3.7p | 3.0p |
| Recommended Final | 5.6p | 5.2p |

The 1981 Report will be published in late May 1982, when copies will be available from the Secretary.

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ASSOCIATED HEAT SERVICES OFFER BY TENDER

Finding the energy to succeed

BY CARLA RAPOPORT

A SECRETARY in fashionable orange trousers leads the way. Up four flights of stairs to a spacious, sunlit penthouse suite and from behind a cluttered desk springs Mr Alan Tweedale, managing director of Associated Heat Services.

Associated Heat Services? A brainchild of Sir Derek Ezra, Associated Heat spent its first 15 years of life in Hobart House, the NCB's London Headquarters. Just two months ago, the young company moved into a converted electrical sub-station in Wimbledon, put down its potted plants, and prepared for its Stock Exchange debut scheduled for early next month.

Mr Tweedale, a youthful 47, has been with the company nearly from the start, working his way up from a regional engineer.

"It seemed to us that companies were interested in making their products, like motor cars or tinned peas and beans, and not in managing their use of energy. The proper use of energy requires expertise," he says, "and that's what we are selling."

Throughout its history, AHS has concentrated on cutting energy costs for its clients, maintaining its client's heating equipment and providing a comprehensive heat service for customers. The company's service can include the design, installation, finance operation and maintenance of a heating system.

With a client list ranging from

the Salvation Army to Ferranti, the company's business has been well split between commercial and industrial customers, as well as local authorities around Britain.

In the early days, AHS hooked up a company's boiler to a telephone. If the boiler went on the blink, the phone called AHS headquarters with a recorded message. Today, of course, the whole business is computerised, microchipped and full of print-out.

The 1970s push for energy conservation gave a welcome boost to AHS's fortunes. In 1970, the company was in loss with sales of only £710,000, but 10 years later sales had reached £26.5m while pre-tax profits hit £2.4m. Results last year showed profits slightly up while sales have topped £31m. Market capitalisation of the company is expected to be around £12m.

"The only thing holding us back right now is the recession," says Mr Tweedale. He says that the issue of new shares when the company goes public will allow AHS to advance to the next stage of development.

"We are looking at ways of combining heat and power," he said. For example, a typical EGB electrical plant generates electricity with a conversion efficiency of about 34 per cent. This ratio is depressed, he says, by the amount of heat lost to the atmosphere through cooling towers. AHS hopes to build

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interim or final and the subdivisions shown below are based mainly on last year's notation.

| TODAY | |
|---|----------|
| Interim—S. Lytle | |
| Final—Brook Street Bureau of Mayfair, Clement Clarke, Clark Nichols and Coombs, Clive Discount, John Crowther, I. and J. Hyman, Simon Engineering, H. C. Singsby, Traves and Anclid, Vanburgh Currency Fund, Viking Resources Trust | |
| FUTURE DATES | |
| Interim— | |
| Baley (Ben) Construction | April 29 |
| Bord & Southern Steels, Ltd. | April 27 |
| Final— | |
| Amports Investment Trust | May 19 |
| Cole Group | April 20 |
| Lake View Investment Trust | April 27 |
| MacLellan (P. & W.) | April 27 |
| More O'Ferrall | May 11 |
| Small (John C.) and Tidman | April 27 |
| Stanley (A. C.) | May 4 |
| TR North America Invest. Ltd. | May 5 |
| Yule Catto | April 28 |
| Amended | |

electricity plants which will harness this heat, thereby improving the conversion efficiency to 70 per cent.

Despite its link to NCB, which owns a third of AHS's equity, the company claims to have no in-bred bias on the sort of fuel it recommends to clients. "It's true that outside the

home counties, coal is cheaper to use than oil or gas, but this does not stop us from assessing each situation separately," maintains Mr Tweedale.

Last year, for example, nearly half the company's revenue derived from fuel contracts came from those using coal, with oil accounting for 35 per cent and gas the remainder. AHS also says it does not buy its coal exclusively from the NCB.

The company is not averse to less traditional modes of heating. Domestic waste — 160,000 tonnes of the stuff — heats whole rows of homes, offices and hotels in Nottingham under an AHS system. At Thorn-EMI, the AHS-designed boiler has cut costs by 20 per cent, aided by its capacity to chew up paper cardboard employees have tossed out.

Sir Derek's brainchild was started up with equal participation between NCB, Compagnie Generale De Chauffage, a French company also engaged in heat services, and a group called Solar Induction. Solar's stake was later sold to subsidiaries of Ocean Transport and Trading. It is Ocean's stake, plus some new shares, that will be offered to the public prior to the full stock exchange listing.

The merchant bankers have decided to float the company by an offer for sale by tender.

Although the NCB is not expected to reduce its holding, the new issue will dilute its stake, as well as that held by the French group.

Export boost for Laird Grp.

THE UK subsidiaries of the Laird Group have continued to make substantial progress in export sales and in the past four months new contracts have been won worth over £90m, says Sir Ian Morrow, the chairman, in his annual statement.

These include new orders for conveyor systems, together with further requirements for trains for both the Hong Kong Mass Transit Railway system and the Kowloon Canton Railway. These successes have been both valuable and necessary since in other areas of the group's activities orders have fallen back, he states.

This is particularly so with aero-engine components where work for Rolls-Royce has decreased, and for buses, where demand slackened towards the year end. Moreover, despite the new orders for trains, production capacity in trains will be largely unutilised by the end of 1982. Efforts to obtain fresh business are being maintained.

Fresh initiatives have been taken to prepare the ground for further internal growth in the group's business. In particular, despite the current cyclical downturn, production capacity for welding equipment has been substantially increased with the addition of a new assembly facility for major automotive lines and a £1.5m order has already been taken.

In motor components capacity has been further expanded in the UK and in France and

Germany, and plans are already in hand to provide additional capacity in the current year for the manufacture of conveyor belt.

In the U.S. the plastics distribution network has been enlarged and further steps have been taken to expand the range and market presence of the group in cutting tools and in weather stripping, although trading conditions there remained difficult.

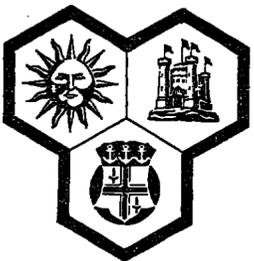
New product development has also continued. New car body seals have been developed for major customers in Western Europe. Welding robots have been developed and successfully sold and a far-ranging product development plan has been put in hand for buses.

As reported April 5, group pre-tax profits for 1981 rose from £13.8m to £16.8m on turnover of £272.2m (£194.0m). Earnings per stock unit improved by 0.6p to 15p, while a final dividend of 2p net makes a total payout of 4p (3.7p).

As at December 27 1981, group ordinary stockholders' funds were ahead at £92.5m (£83.52m), while net current assets showed a rise from £12.01m to £23.42m, including bank and short-term deposits of £16.54m (£12.59m).

The notes on the accounts show that the emoluments of the highest paid UK director increased from £51,000 to £72,000.

Meeting, Brown's Hotel, Dover St, W. June 7, at noon.



SUN ALLIANCE INSURANCE GROUP

Comments by the Chairman - Lord Aldington

We have to report a large underwriting loss. Despite this our total profit before tax amounted to £70.9m compared with £69.3m in 1980 and, after tax and minority interests, net earnings were 84.8p per share compared with 83.6p per share in the previous year.

I referred last year to the deteriorating underwriting conditions in most parts of the world. Indeed, this deterioration has continued and in some places intensified. The buoyancy of investment income has been taken by some to be a proper compensation for underwriting losses. High interest rates consequent upon high and continuing inflation certainly go some way to meeting the higher cost of claims caused by the same inflation. But they do not go the whole way and in our opinion an insurance company like Sun Alliance & London must continue to set itself a target of an underwriting profit in normal times.

The truth is that it is not only the increased costs and prices consequent upon inflation or the reluctance of people to increase sums insured in line with inflation which have caused the underwriting losses. All over the world new risks are being underwritten at rates which allow nothing for the inevitable uncertainty of their eventual cost.

Furthermore, claims in many established classes of insurance are much higher than were expected and judicial awards of compensation for personal injury have grown enormously. In many countries the incidence of arson, criminal damage and burglary has increased greatly. In these circumstances it is madness for underwriters to compete with each other for business at inadequate rates of premium. Moreover, at times of recession as now, the amount of business on offer is not expanding and in some areas is decreasing. The excessive capacity in the market to which I have referred before presents responsible underwriters with a serious challenge: the maintenance of a share of the market cannot be secured without accepting too low rates of premium. But those who are seeking to increase their share of the market at such times by driving the rates of premium catastrophically downwards are, I believe, causing enormous damage to the market, the insuring public and, of course, themselves.

The continuing deterioration in the reinsurance market is a matter of great concern to the entire world-wide insurance community. Increasingly, the credibility of a growing part of the excessive reinsurance capacity is being questioned and there are serious doubts whether, in the event of a major catastrophe, some claims by ceding insurers upon reinsurers would be met.

Operations

Against this background our own results, although disappointing to us, might have been worse.

Much of our international business was unprofitable with considerable underwriting losses in Canada and the U.S.A. and, for the second year, disastrous losses in Australia. Reinsurance business also deteriorated markedly.

Against this, our home business improved, helped by the mild winter of 1980/1981 and also by releases from outstanding loss reserves in the liability classes relating to earlier years. Just before Christmas, however, this improvement largely disappeared when severe winter weather cost us some £14m in the U.K. alone.

The 1979 Marine and Aviation year now closed was unprofitable and the subsequent open years are not running as well as we should like. Nevertheless, our reserves in the Fund remain adequate and no transfer from Profit and Loss Account was needed.

Our Life Division has again produced a larger surplus. Their reorganisation and vigorous marketing has steadily improved their share of the market in recent years. In 1981 the unit-linked funds showed outstanding investment results.

Investment income in the general funds increased encouragingly from £81.5m to £101.1m, a rate of growth of 24% or, eliminating the effects of exchange movements, 18%.

In addition, there was a further increase in the general funds in the surplus of market over book values of our investments with a rise of £60m to £390m. This gain is not reflected in our Profit and Loss Account.

Dividend

The Directors have resolved to declare a total dividend of 43p per share - an increase of 30.3% over that paid for 1980. An interim dividend of 19.5p per share was paid in January last and the final dividend of 23.5p will be paid on 5th July next.

The increased dividend leaves some £20.6m to be retained in the business and our solvency margin at 92% provides a springboard for expansion when we see profitable opportunities.

During many of these last ten years dividend restraint has been in force but your Board has always been keenly conscious of the effect of inflation on the shareholders' income. Despite somewhat disappointing results we are pleased to be able, for the third successive year, to declare increased dividends that more than match the year's rate of inflation and thus restore to shareholders in real terms the dividend level paid in earlier years.

Outlook

Looking ahead, we do not expect that the excessive competition in insurance markets will be eliminated in the near future. Nor can we expect a sharp increase in world economic activity in 1982. The difficulties in the insurance market we have seen overseas in the past few years have already spread into the United Kingdom. We shall certainly continue to do our best to discourage severe rate cutting and we have taken steps to reduce escalating expenses by a major reorganisation of our home business started in the middle of 1981.

No one can be unmindful of the very bad weather which we had in January following that in December to which I have already referred. The claims on us from the January weather are proving considerably more costly than those in December, but as a result of the steps we have taken in the last few years to strengthen our Personal account we are in a much better position to face the year. Other steps we have taken at home and overseas will strengthen our defences against the difficult conditions throughout our market.

The problems which confront us and insurers generally are serious and sometimes daunting - a real test of management's nerve and skill.

Summary of Results

| | 1981 | 1980 |
|---------------------------------------|--------------|--------------|
| | £m | £m |
| Premium Income | | |
| General Insurance | 703.6 | 599.2 |
| Long-term Insurance | 173.3 | 143.3 |
| | 876.9 | 742.5 |
| General Insurance Underwriting Result | (36.8) | (18.4) |
| Long-term Insurance Profits | 6.1 | 5.4 |
| Investment Income | 101.1 | 81.5 |
| Other Income | 0.5 | 0.8 |
| Profit before Taxation | 70.9 | 69.3 |
| Taxation | 28.7 | 27.8 |
| Profit after Taxation | 42.2 | 41.5 |
| Minority Interests | 0.4 | 0.3 |
| Profit attributable to Shareholders | 41.8 | 41.2 |
| Dividend | 21.2 | 16.3 |
| Profit Retained | 20.6 | 24.9 |
| Earnings per Share | 84.8p | 83.6p |
| Dividend per Share | 43.0p | 33.0p |

The Annual General Meeting of Sun Alliance and London Insurance plc will be held on 26th May, 1982 at the Head Office, Bartholomew Lane, London EC2N 2AB.

Oesterreichische Kontrollbank Aktiengesellschaft

US\$100,000,000
Guaranteed Floating Rate Deposit Notes 1987

US\$60,000,000 of which have been issued as the Initial Tranche

Guaranteed by the Republic of Austria

Notice is hereby given pursuant to condition 4(d) of the Terms and Conditions of the Notes that, until further notice, any Noteholder wishing to exercise his or its option under condition 4(d) to require the issuer to purchase or procure the purchase of his or its Notes on any Interest Payment Date may lodge the signed Notice to Purchase accompanied by the relevant Note(s) either directly with Orion Royal Bank Limited, the Principal Paying Agent, 1 London Wall, London EC2Y 5JX, Attention: Agency Department or via his or its account with Euro-Clear, Brussels or CEDEL, Luxembourg.

The form of the Notice to Purchase is set out in the Terms and Conditions of the Notes and copies may be obtained from the offices of Orion Royal Bank Limited, 1 London Wall, London EC2Y 5JX.

Principal Paying Agent
ORION ROYAL BANK LIMITED

This advertisement is issued in compliance with the requirements of the Council of the Stock Exchange. It is not an invitation to any person to subscribe for or purchase any shares in the Company.

The GRA Group plc

(Registered Number 226257 England)

Share Capital

| Authorised | (Ordinary Shares) | Issued and fully paid |
|------------|-------------------|-----------------------|
| £2,500,000 | of 5p each | £2,142,626 |

Application has been made to the Council of The Stock Exchange for the issued ordinary shares of the Company to be re-admitted to the Official List. Dealings are expected to commence on 30th April, 1982. Particulars of the shares are available in the Extel Statistical Service and copies may be obtained during business hours on any weekday (Saturdays and public holidays excepted) up to and including 7th May, 1982 from:

Baring Brothers & Co., Limited
8 Bishopsgate
London EC2N 4AE

Rowe & Pitman
City Gate House
39/45 Finsbury Square
London EC2A 1JA

US\$25,000,000 Guaranteed Floating Rate
Certificates of Deposit due 26th April, 1983

Banco Internacional de Colombia (Nassau) Ltd.

(Incorporated in the Commonwealth of the Bahamas)

Unconditionally Guaranteed by

BANCO INTERNACIONAL DE COLOMBIA

(Incorporated in the Republic of Colombia)

In accordance with the terms and conditions of the above-mentioned Certificates of Deposit and the Fiscal Agency Agreement dated April 21st, 1980 among Banco Internacional de Colombia (Nassau) Ltd., Banco Internacional de Colombia, certain Financial Institutions named therein and Citibank, N.A. as Fiscal Agent, notice is hereby given that for the six month interest period from 26th April, 1982 to 26th October, 1982, the Certificates will carry an interest rate of 15% p.a. The relevant Interest Payment Date will be 26th October, 1982, and the interest then payable per US\$500,000 nominal of the Certificates will be US\$39,395.83.

April 26th, 1982

By: Citibank, N.A., Fiscal Agent

CITIBANK

Public Works Loan Board rates

Effective April 24

| Years | Quota loans repaid at | | | Non-quota loans A* repaid at | | |
|-------------------|-----------------------|-------------|---------|------------------------------|-------------|--|
| | by EIPT | As maturity | by EIPT | As maturity | As maturity | |
| Up to 5 | 14½ | 14½ | 15½ | 15½ | 15½ | |
| Over 5, up to 6 | 14½ | 14½ | 15½ | 15½ | 15½ | |
| Over 6, up to 7 | 14½ | 14½ | 15½ | 15½ | 15½ | |
| Over 7, up to 8 | 14½ | 14½ | 15½ | 15½ | 15½ | |
| Over 8, up to 9 | 14½ | 14½ | 15½ | 15½ | 15½ | |
| Over 9, up to 10 | 14½ | 14½ | 15½ | 15½ | 15½ | |
| Over 10, up to 15 | 14½ | 14½ | 15½ | 15½ | 15½ | |
| Over 15, up to 25 | 14½ | 14½ | 15½ | 15½ | 15½ | |
| Over 25 | 14½ | 14½ | 15½ | 15½ | 15½ | |

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

LOCAL AUTHORITY BOND TABLE

| Authority (telephone number in parentheses) | Annual Interest gross pay- interest | Life Minimum sum | Year 5 8 |
|---|---|------------------------|----------------|
| Knowsley (051-548 6555) | 13½ | 1-year | 1,000 4-8 |

M. J. H. Nightingale & Co. Limited

27/28 Lovat Lane London EC3R 8EB Telephone 01-421 1212

| £000's capitalisation | Company | Change Price on week div. (p) | Gross Yield (%) | Fully Paid P/E Ratio |
|--------------------------|-------------------------|----------------------------------|--------------------|-------------------------------|
| 1,283 | Ass. Brit Ind. CULS | 130 | 10.0 | 7.7 |
| 4,226 | Airsprung | 75 | 4.7 | 6.4 11.8 18.0 |
| 1,100 | Armitage Rhodes | 44 | 11.3 | 9.2 3.7 8.3 |
| 12,220 | Bardon Hill | 200 | 9.7 | 4.9 9.7 11.6 |
| 1,338 | CCL 110p Conv. Pref. | 107 | 15.7 | 14.7 |
| 4,288 | Doherty Services | 82 | 8.0 | 9.7 3.1 5.8 |
| 4,111 | Frank Horrell | 129 | 6.4 | 5.0 11.8 22.8 |
| 10,979 | Frederick Parker | 76 | 10.7 | 8.0 5.1 7.9 |
| 596 | George Blair | 54 | — | — |
| 3,888 | Ind. Precision Castings | 96 | 7.3 | 7.6 6.8 10.4 |
| 2,818 | Isis Conv. Pref. | 109 | 15.7 | 14.4 |
| 2,505 | Jackson Group | 99 | 7.0 | 7.1 3.1 7.0 |
| 15,596 | James Burrough | 113 | 8.7 | 7.7 8.2 10.4 |
| 2,489 | Robert Jenkins | 244 | 11.3 | 12.8 3.4 8.8 |
| 3,240 | Scuncheon "A" | 54 | 5.3 | 8.2 8.8 8.1 |
| 3,881 | Torday & Carlisle | 159 | 10.7 | 8.7 5.1 9.8 |
| 2,885 | Twinlock Ord. | 134 | — | — |
| 2,194 | Twinlock 150p ULS | 80 | 15.0 | 18.8 |
| 3,815 | Unitelec Holdings | 85 | 3.0 | 12.0 4.5 7.8 |
| 10,124 | Walter Alexander | 25 | 1.4 | 8.0 5.3 8.0 |
| 5,391 | W. S. Votava | 231 | 14.5 | 6.3 8.0 12.1 |

Prices now available on Prestel page 4814E.

FINANCE FOR INDUSTRY TERM DEPOSITS.

Deposits of £1,000-£50,000 accepted for fixed terms of 3-10 years. Interest paid gross, half-yearly. Rates for deposits received not later than 30/4/82

| Terms (years) | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---------------|-----|-----|-----|-----|-----|-----|-----|-----|
| INTEREST | 13½ | 13½ | 13½ | 13½ | 13½ | 13½ | 13½ | 13½ |

Deposits to and further information from The Treasurer, Finance for Industry plc, 91 Waterloo Rd., London SE1 8XP (01-928 7822, Ext. 367).

Cheques payable to "Bank of England, ac RES" FFI is the holding company for ICFC and FCI.

FFI

INTERNATIONAL CAPITAL MARKETS

CREDITS

Final mandate soon for Indian steel plant loan

THE LONG-AWAITED loan for India's Orissa state steel plant project was taking final shape last week amid hopes that a final mandate could be granted shortly to the group of banks who have now been discussing the project for months.

Co-ordinators of the credit are Lazard Brothers, Paribas, Commercantbank and the State Bank of India, who are expected to be joined by 11 other lead managers.

While the final amount of the credit was still being left open at between \$750m and \$1bn, the margins being indicated in the market underscored the continuing demand for Indian assets as the country emerges as a major borrower on commercial markets.

Expected is a margin of 1 per cent over London Eurodollar rates for the first seven years rising to 1 1/2 per cent for the remaining three.

These terms are not quite as fine as some that were openly canvassed in the past but they still compare very well with those available to leading industrial country borrowers such as France, which was also back last week with another deal laden with innovations that obscure the true market assessment of its credit rating.

Gaz de France is raising \$100m through an ingenious facility mandated solely to Bank of America International. It gives the borrower complete choice in raising the money through three different instruments.

The first is a 2 1/2-year U.S. bankers acceptance facility, the second a 2 1/2-year sterling acceptance facility, and the third a conventional Eurodollar revolving credit with a margin of 1 per cent for five years and a commitment fee of 1/2 per cent.

The dollar acceptance facility is priced at 1/2 per cent over the discount rate for acceptances in New York and the sterling element carries a commission of 1/2%. Taken together the three alternatives give the borrower a unique opportunity of managing his debt to obtain the best possible interest rate available at any one time.

In a normal week deals such as this would dominate conversation in the syndicated credit market, but last week they were overshadowed by growing disappointment over developments in

Argentina with banks becoming more nervous by the minute as the British task force sailed on. For the time being one particularly worrying aspect for British banks is that they have no information about the escrow account Argentina says it has

meets that arise in such a circumstance, but at least five loans now face this problem and it has added to the confusion in the marketplace.

Elsewhere Lloyds Bank International has almost completed arrangements for a rare

set up to hold payments due to them that have been blocked under the assets freeze.

Escrow accounts cannot normally be set up without mutual agreement between the parties concerned. British bankers in London maintain that there have been no proposals for an escrow account and no agreement on interest payable on funds deposited or on the conditions under which the funds would eventually be released.

One bank reports that money due to it simply disappeared into a routine transaction account of the Argentine central bank and says it cannot obtain confirmation from the central bank that it actually holds the money.

As a result British banks owed money by Argentina have been quietly reminding other banks in their syndicates that the legal conditions of their loan compel them to share out any interest received with all banks in the syndicate on a pro-rata basis according to their original contributions.

There is, they say, no question of lodging a claim against the non-British banks in the syndicates; it is more a matter of exercising the legal require-

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INTERNATIONAL BONDS

Strong nerved traders mark prices higher

THE EUROBOND market kept its nerve last week despite the surge in U.S. money supply announced ten days ago, and by Friday the action of traders in marking prices steadily higher seemed to have been vindicated by news of a further sharp fall in U.S. inflation.

The current inflation level of 8.3 per cent makes dollar interest rates look absurdly high. This may have been one reason why Eurodollar deposit rates edged lower last week with six months falling more than 1/2 point to 14 15/16, while fixed interest dollar bonds showed average gains of 1/2 point.

Yet the market was hardly reminiscent of the old days when a "window" would open to let in several hundred million dollars of new paper on a single day. There was a fairly brisk pace of new issue business, but it was not frenzied and on Friday no new fixed rate bonds were launched at all.

Hope of lower rates

One reason suggested in the market place was that borrowers are, where possible, holding back in the hope of still lower rates to come. Another factor was that the recent issue for Phillips Petroleum was still dragging its feet somewhat, underlining the fact that its 14 per cent coupon still looks a

little tight to many investors. Over the week as a whole the bonds were reported to have advanced by around 1/2 point to 9 1/2, a slower gain than elsewhere in the market.

All the new fixed rate issues launched last week were at coupons of well above 14 per cent with the top place taken by General Motors Acceptance Corporation which offered \$100m of bonds at 15 per cent, a rate deemed necessary in the market because of its voracious appetite for funds and its association with the ailing U.S. car industry.

But all the new issues were also well received and two of them, the 14 1/2 per cent British Columbia Hydro and Union Carbide bonds, were increased by \$50m to \$200m and \$150m respectively.

The floating rate note market featured a subordinated \$250m issue for J. P. Morgan, the proceeds of which will be used to strengthen the capital base of Morgan Guaranty Trust. This is the third instance in two weeks of a U.S. bank using the bond market for this purpose although the issues for Chase Manhattan and Manufacturers Hanover were offered in the domestic market.

J. P. Morgan will issue sufficient equity to retire the issue and as a result it is being treated as primary capital

under the Federal Reserve Board rules. Continental bond markets showed a similar trend to dollar Eurobonds. Six month D-Mark deposits fell 1/2 point to 8 1/2 per cent and Swiss franc rates by a similar amount to 5 1/2 per cent. Foreign bonds in these markets rose by 1/2 point and 1/2 point respectively.

German expectations

German bankers say they still expect interest rates to fall despite the Bundesbank's failure to come up to expectations with a cut in official interest rates last week.

Reflecting the continued interest of French borrowers in tapping the bond markets, Credit Foncier de France floated its first ever D-Mark issue last week with a coupon of 8 1/2 per cent, slightly above the recent low struck by Canada with its 8 1/2 per cent issue.

Prices on the Japanese domestic bond market were barely changed over the week as a whole, although a slightly stronger tone prevailed at the end of the week because of the stronger yen. In the Samurai bond market dealers reported some interest in shorter dated issues but the tone of the Euroyen market was mixed.

P.M.

AIBD PROPOSALS

The shape of bonds to come

ONE OF the great attractions of the Eurobond market has always been its freedom from bureaucratic regulation. This, participants argue, enables bonds to be put together quickly, encourages innovative thinking, and gives the market a peculiar vitality all of its own.

Paradoxically, however, this very freedom from regulation also has its drawbacks, and one of them is very basic although it passes little noticed by commentators and even traders who deal in millions of dollars worth of paper a day.

The truth of the matter is that bonds come in all sorts of shapes and sizes as well as colours. The same applies to coupons which are cut off by investors and presented to validate claims for interest.

Backroom army

Hardly an important consideration one might say—after all it is the money that counts not the paper it is printed on. But for the army of backroom staff who have to handle the bonds physically the situation is painful to say the least.

Now many hope that all this will change with proposals finally announced last week by the Association of International Bond Dealers (AIBD) for a standard, machine readable Eurobond printed on standard

weight paper with coupons attached in a uniform, easily clippable way.

Efforts to standardise bond formats go back as far as 1979 and they have involved a mammoth task of consultation with the market, with printing firms, stock exchanges and with the lawyers who write the text of bond conditions that go on the back.

Small legal print

Not that the final result will bring total relief to back room staff. The small legal print on the back of the new bonds is very small indeed, and one of the AIBD bond harmonisation committee members, Mr K. Meuche of the Union Bank of Switzerland, implores lawyers to rationalise the length of their text "as not all backroom staff have the eyesight of a 20 year old."

A further point that was made clear at a presentation of the new format last week was that its introduction is a voluntary matter, but says Mr Rupert Hambro, the AIBD Chairman, "I can only sincerely wish that members will avail themselves of the considerable technical expertise which has gone into defining and agreeing (the new format)."

P.M.

CURRENT INTERNATIONAL BOND ISSUES

Table with columns: Borrowers, Amount m., Maturity, Av. life years, Coupon %, Price, Lead manager, Offer yield %. Includes sections for U.S. DOLLARS, CANADIAN DOLLARS, YEN, D-MARKS, SWISS FRANCS, and DUTCH GUILDERS.

* Not yet priced. † Final terms. ‡ Floating rate note. § Minimum. ¶ Convertible. ** Placement. †† With warrants. Note: Yields are calculated on AIBD basis.

All of these Securities have been sold. This announcement appears as a matter of record only.

NATOMAS

\$50,000,000

Natomas Overseas Finance N.V.

15% Notes due April 22, 1985 with Warrants to purchase \$100,000,000

15 1/2% Debentures due April 22, 1989

The Notes and Debentures are unconditionally guaranteed by

Natomas Company

SWISS BANK CORPORATION INTERNATIONAL LIMITED

MORGAN GUARANTY LTD

SALOMON BROTHERS INTERNATIONAL

AMRO INTERNATIONAL LIMITED

BANK OF TOKYO INTERNATIONAL LIMITED

BANQUE NATIONALE DE PARIS

BANQUE DE PARIS ET DES PAYS-BAS

CREDIT SUISSE FIRST BOSTON LIMITED

DRESDNER BANK AKTIENGESELLSCHAFT

HAMBROS BANK LIMITED

MANUFACTURERS HANOVER LIMITED

S. G. WARBURG & CO. LTD.

These securities are not registered under the Securities Act of 1933 and may not be offered or sold in, or to nationals or residents of, the United States. This announcement appears as a matter of record only.

April 23, 1982

U.S. \$30,000,000

Kajima Corporation

(Kajima Kensei Kabushiki Kaisha)

5 1/2% Convertible Debentures Due 1997

DAIWA EUROPE LIMITED

MORGAN STANLEY INTERNATIONAL

SUMITOMO FINANCE INTERNATIONAL

BANQUE NATIONALE DE PARIS

COMMERZBANK AKTIENGESELLSCHAFT

CREDIT SUISSE FIRST BOSTON LIMITED

ROBERT FLEMING & CO. LIMITED

SOCIETE GENERALE

SWISS BANK CORPORATION INTERNATIONAL LIMITED

WESTDEUTSCHE LANDESBANK GIROZENTRALE

ALGEMENE BANK NEDERLAND N.V.

AL-MAL GROUP

AMRO INTERNATIONAL

BANCA DEL GOTTARDO

BANK MBS & HOPE NY

BANK OF TOKYO INTERNATIONAL

BANQUE BRUXELLES LAMBERT S.A.

BANQUE DE NEUFLEZE, SCHLUMBERGER, MALLET

BANQUE DE PARIS ET DES PAYS-BAS

BERLINER HANDELS- UND FRANKFURTER BANK JAMES CAPEL & CO.

COMPAGNIE DE BANQUE ET D'INVESTISSEMENTS, CBI

COUNTY BANK DAI-ICHI KANGYO INTERNATIONAL

DRESDNER BANK

FUJI INTERNATIONAL FINANCE IBJ INTERNATIONAL INTERALLIANZ BANK ZURICH

KLEINWORT BENSON

KUWAIT INVESTMENT COMPANY (S.A.K.) KYOWA BANK NEDERLAND N.V.

LOMBARD ODIER INTERNATIONAL S.A.

LYCB INTERNATIONAL MANUFACTURERS HANOVER

MITSUBISHI BANK (EUROPE) S.A.

MITSUBISHI TRUST & BANKING CORPORATION (EUROPE) S.A.

MITSUI FINANCE EUROPE

MITSUI TRUST BANK (EUROPE) S.A. MORGAN GUARANTY LTD

NEW JAPAN SECURITIES EUROPE

THE NIKKO SECURITIES CO., (EUROPE) LTD.

NIPPON CREDIT INTERNATIONAL (HK) LTD.

NIPPON KANGYO KAKUMARI (EUROPE)

NOMURA INTERNATIONAL

PIERSON, HELDRING & PIERSON N.Y. SAITAMA BANK (EUROPE) S.A.

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April 23, 1982

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

U.S. BONDS

Crisis on money supply again a non-event

EVERY TIME a money supply crisis hits Wall Street, people decry the futility of trying to predict the changes in M1—and of paying too much heed to one week's set of figures.

The refrain is likely to be taken up again this week after the latest crisis, which turns out to have been a non-event.

Underpinning the market last week. The 0.3 per cent decline in the consumer price index in March was the largest monthly fall in inflation for nearly 30 years.

And though some people dismissed it as a predictable consequence of the recession, it underlined just how big real yields in the credit markets are. Although some analysts claim to see flickers of life in the economy, the general view still seems to be that the recession has, at best, only touched bottom.

But the occasional rallies that got under way last week were short-lived. Traders and investors alike used them to take their profits—hardly a sign of deep underlying confidence.

These uncertainties are prompting would-be borrowers to hold off a while longer. According to Salomon Brothers, monthly bond volume in the corporate market has averaged only \$1.6bn so far this year, slightly more than half last year's level when interest rates were, on the whole, higher.

Among the issues sold this week was Manufacturers Hanover's \$100m of 10-year notes convertible into equity securities on maturity. The first of three such financings by large banks, it sold very well.

On Friday, Morgan Guaranty issued a modified version of the Euro-markets, and this week Chase Manhattan will sell \$150m of notes on the U.S. markets, along with \$175m of zero coupon notes.

Although the details vary, all three issues are designed to raise additional equity in the long run by initially luring investors with high yielding convertible debt securities.

David Lascelles

Refinery problems still hitting profits at Elf

BY TERRY DODSWORTH IN PARIS

ELF AQUITAINE, the French oil group, suffered a 29 per cent fall in consolidated net profits last year although turnover rose by 35 per cent from FFf 77bn to FFf 104bn (\$16.5bn).

The company also continued last year with its heavy investment programme, although cash flow only increased to FFf 14.9bn from FFf 13.9bn. Expenditure rose to FFf 31bn from FFf 11.7bn, mainly due to the acquisition of Texasgulf in the U.S., which cost FFf 13bn, but also to increase investment in exploration and development.

Elf puts the main blame for the downturn on continuing problems in its refinery and distribution division, where losses shot up from FFf 605m in 1980 to FFf 3.6bn. Problems in this sector of the oil industry have led to a running battle with the authorities over the last few years, but new Govern-

ment measures to pin French prices to world market levels are expected to help the oil companies to put their refinery businesses back on to a sound financial footing.

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Poor start at Safeway Stores

BY OUR FINANCIAL STAFF

THE LARGEST supermarket chain in the U.S., Californian-based Safeway Stores, has reported a disappointing start to 1982, a year for which a modest recovery has been predicted following a significant setback in the previous year.

Net earnings for the opening quarter have fallen from \$19.3m to \$16m or 61 cents a share despite a rise in sales from \$3.59bn to \$3.98bn.

The current earnings total includes a \$1.2m loss from reduction of the equity in a Mexican joint venture. Net for 1981 was, however, cut by \$1.3m under an accounting change.

For the whole of fiscal 1981, Safeway, which now takes more than half its earnings from outside the U.S., turned in profits of \$119m against \$143m.

With nearly 2,000 stores in the U.S., the bulk of them west of the Mississippi river, Safeway operates the largest chain in the U.S. However, there are also 283 stores in Canada, 90 in the UK, 72 in Australia and 25 in West Germany.

Mr Hunter Henry, president of Dow Brazil, will succeed Mr Rooke as president of the U.S. area of operations. Mr Henry will relocate to Midland.

Mr Peter Bowring will be proposed for election as vice-chairman of MARSH & McLENNAN COMPANIES INC. at a meeting on May 19. Mr Bowring has been serving as chairman of C. T. Bowring & Co., Marsh & McLennan's London-based subsidiary. Consequently C. T. Bowring & Co. has elected Mr Gilbert A. Cooke to serve as chairman and Mr Ivor R. Binney as deputy chairman. Mr Binney, who will maintain offices in New York and finance at Dow Chemical U.S. and for the planning and capital

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Braniff warns on S. American routes

By Richard Lambert in New York

BRANIFF International, the troubled Texas-based airline, has told the U.S. Civil Aeronautics Board (CAB) that unless it gets immediate approval to transfer its South American services to Pan American, the routes will have to be closed down.

The airline told the CAB on Friday that its South American traffic had fallen precipitously since it had made its original application to transfer the routes. As a result, these services could be in a financial "cash negative position" as early as next Tuesday.

The airline said it could not permit this to happen, since it needed to maintain its cash reserves in order to operate its domestic services. It was imperative that the CAB give its immediate approval to a transfer of the routes to Pan Am, if only on an interim basis.

A week ago the CAB said that it would not make a decision on the Braniff/Pan Am proposals until July. Since then a number of other airlines have made various proposals to Braniff about the routes, but the airline said that only Pan Am was in a position to take them on in time to save the services.

BP Canada calls off East Coast drilling projects

BY ROBERT GIBBENS IN MONTREAL

BP CANADA has called off plans to commence drilling on several "very encouraging prospects" off Canada's East Coast this season because of the impact on cash flows of the National Energy Programme and the Federal Provincial pricing agreements, says Mr D. W. Handbridge, president.

Like most other integrated companies in the oil and gas industry, BP's earnings were down nearly 50 per cent in the first quarter of this year. Debt is up considerably, to finance higher-cost inventory of crude oil, while oil production in Western Canada will be lower this year because of reduced demand, and gas output will show only small increases, mainly because of limited export potential.

While the recent reduction in royalties payments to Alberta will mean about C\$25m (US\$3.5m) more in cash flow this year, the Federal Petroleum and Gas Revenue Tax will double to more than C\$26m from last year's C\$13m, and other special federal taxes will cost another C\$7m.

BP Canada and others in the industry say that their cash flows are being so tightly squeezed that investments aimed at promoting Canadian self-sufficiency in oil cannot be made. A Federal Government commitment to lower its tax take from the industry "is long overdue."

Shell Canada earned C\$24m (US\$19.6m) in the first quarter of this year, or 17 cents a share, against C\$35m or 84 cents on revenue of C\$1.2bn compared with C\$1.1bn.

Most of the major oil companies have been warning that earnings for the full year will be lower than in 1981, that gas flows are under severe pressure, debt is rising and that the sole positive factor is a slight firming of petrol prices.

Shell has also delayed its plans for major drilling operations off the East Coast. Companies with petrochemical projects are slowing down investment or cancelling projects, planned sometimes in partnership with Canadian-owned firms such as Nova.

Some companies are endeavouring to maintain capital exploration and development spending at last year's levels, but others are falling well behind.

Changes at Dow Chemical

The DOW CHEMICAL COMPANY is to elect Mr Robert W. Lundeen as its chairman at the July meeting, when Mr Earle B. Barnes reaches the mandatory retirement age of 65.

Mr Peter Bowring will be proposed for election as vice-chairman of MARSH & McLENNAN COMPANIES INC. at a meeting on May 19. Mr Bowring has been serving as chairman of C. T. Bowring & Co., Marsh & McLennan's London-based subsidiary. Consequently C. T. Bowring & Co. has elected Mr Gilbert A. Cooke to serve as chairman and Mr Ivor R. Binney as deputy chairman. Mr Binney, who will maintain offices in New York and finance at Dow Chemical U.S. and for the planning and capital

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INTERNATIONAL APPOINTMENTS

committee of Marsh & McLennan, Inc., which co-ordinates the company's retail insurance brokerage

Mr Peter Bowring

operations throughout the world and will remain chairman of Bowring UK. Mr Bowring, Mr

Mr Martin D. Payson has been elected executive vice president and general counsel of WARNER COMMUNICATIONS INC. Mr Payson was senior vice president and general counsel of

RAISER STEEL CORPORATION, INC. Mr Gary, as executive vice president, Mr Gary will be responsible for financial, planning, legal, public affairs and industrial relations functions.

Mr Anthony D. Giannascioli has been elected vice president/administrator of CHILTON COMPANY, Radnor, PA. Mr Giannascioli will also be secretary to the Chilton board of operating managers.

Mr Albert G. Luke Jr has joined PROCON INTERNATIONAL INC. of Des Plaines, IL, as director of marketing-Far East. Mr Jacques J. Romatier has become a vice president.

Mr Robert M. Burns, responsible for the Holley divisions, Mr C. Edward Warner, president of the Menasco Inc. subsidiary, Mr George W. Townsend, president of the Galtrock mechanical packing division and Mr Ray C. Davis, president of the Stemetco truck products division.

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SPERRY CORPORATION

has appointed Mr J. Peter Hynes as staff vice president for corporate relations-Europe. He will be based in Brussels, Belgium. Mr Hynes was the corporation's director of international communications in England.

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FT INTERNATIONAL BOND SERVICE

Table with columns for U.S. DOLLAR, EUROBOOND TURNOVER, and various bond listings including YEN STRAIGHTS, OTHER STRAIGHTS, DEUTSCHE MARK, and CONVERTIBLE BONDS.

SAVA - Alluminio Veneto S.p.A. US \$ 25,000,000 Medium-Term Loan. Managed by Crédit Commercial de France and AFIN S.p.A. Provided by various international banks.

March 1982. Closing prices on April 23. The Financial Times Ltd., 1982. Reproduction in whole or in part in any form not permitted without written consent. Data supplied by DATASTREAM International.

هكزامن الأصل

FINANCIAL TIMES SURVEY

Monday April 26, 1982

a calls
east
objects

Pennsylvania

Pennsylvania is the U.S. heartland of the coal and steel industries, now in trouble. The switch to a diversified economy is not being achieved without some pain but the state is managing to lure foreign investors, with Volkswagen the biggest prize so far, and is creating jobs through encouraging small businesses

Rays of
sunshine
lighten
hard times

BY CLAY HARRIS

PENNSYLVANIA WAS the birthplace of American independence, the self-proclaimed "keystone" of the young republic because of its crucial position between northern and southern states and because it became the crucible of the nation's first industrial revolution built on coal, steel and the railways.

The fourth largest state in terms of population and industrial production, Pennsylvania, despite slower than average growth for many years, is now engaged in a major effort to build a diversified economy on a shrinking foundation of heavy industry.

These are hard times for Pennsylvania. Its steel mills are operating at less than 60 per cent of capacity because of recession and a flood of imports. Coal output, despite a recent upturn, has fallen by more than half since World War II.

Manufacturing industry has declined as part of the wider shift to factories in the sunbelt and overseas. Unemployment, in excess of 10 per cent is

more than one percentage point higher than the national figure. Harrisburg, the state capital, is an international synonym for the dark side of nuclear power; the future of Three Mile Island—and new nuclear facilities in the state—will be under a cloud for some time to come.

There are rays of sunshine in sober Philadelphia and dynamic Pittsburgh which have lively city centres supported by the stability of old-established neighbourhoods and the vitality of other districts renewed by gentrification.

Philadelphia, the fourth largest U.S. city, is a leading financial and commercial centre even though it lost 43 per cent of its manufacturing jobs between 1970 and 1980. It now looks to successful drug and chemical companies like Smith-Kline Beckman and Rohm and Haas and to a new generation of advanced technology enterprises to lead the way to growth and increased employment. A hotel boom—four projects totalling \$180m are underway—will assist its efforts to become a major convention centre.

Pittsburgh engineered a sharp post-war renaissance which blew away the smog and grime of one of America's dirtiest cities and erected gleaming towers of the steel and glass and aluminium which its skilled workers for decades had forged and smelted for the world.

Already the third leading corporate headquarters city in the U.S.—home to U.S. Steel, Gulf Oil, Westinghouse, Rockwell, Alcoa, Jones and Laughlin Steel, National Steel, PPG Industries and H. J. Heinz among others—the city and its business leaders have proclaimed a \$4.5bn "renaissance

II" which has again turned downtown Pittsburgh into a bustling site.

Pennsylvania's state government pins its hopes for economic revival on a conservative fiscal policy and the flexibility and job-creation potential of small business to smooth the way through what all accept will be a painful transition. The Republican Administration of Governor Dick Thornburgh has balanced the state budget for four years running without increasing taxes.

A major campaign has been mounted to attract investment from overseas and neighbouring states. The state's biggest single coup in this regard—Volkswagen's decision in the late 1970s to locate its first U.S. car assembly plant in south-west Pennsylvania—is no longer seen as the model for a future based on numerous smaller investments by smaller companies less vulnerable to recession.

Three big ports

Pennsylvania hopes to build on the physical and social infrastructure of its mature economy. Slotting in between the north-east, mid-west and south-east, it is a key distribution centre for the country's largest concentration of population and industry. Three major ports, Philadelphia, Pittsburgh and Erie, give access to the three great waterborne transport systems of eastern North America: the Atlantic Ocean, the Ohio and Mississippi rivers leading to the Gulf of Mexico and the Great Lakes and St Lawrence Seaway.

The bulk of the state's rail system was rescued in the 1970s by Conrail, the federal

corporation which has emerged into operating profit after making great strides towards modernising tracks and rolling stock and chipping away at the overmanning and restrictive working practices it inherited from its bankrupt predecessors. A large trucking industry benefits from one of the most extensive long-distance motorway systems in the country.

Improvements to transport underpin increasing exploitation of the state's greatest natural resource, coal reserves of 30bn tons. Projects underway will soon lift the port of Philadelphia's annual coal handling capacity to 15m tons from barely more than 3m tons at present.

Education and health services serve as magnets for high technology enterprises and the people who work for them. The state has more than 200 institutions of higher learning. The Thornburgh Administration aims to encourage co-operation between universities and industry to establish a network of advanced technology centres across the state based on existing academic strengths: robotics in Pittsburgh capitalising on Carnegie-Mellon's pioneering institute, medical research and health care in Philadelphia focusing on the city's six teaching hospitals, and genetic engineering and biotechnology at Penn State University.

Pennsylvania reflects the diverse character of the three American regions of which it forms the linch-pin. South-east Pennsylvania, centred on Philadelphia, share a colonial heritage and social and educational traditions with the north-east states. Outside Philadelphia and its suburbs, on rich agricultural land and in cities like

York and Lancaster, the population is stable and relatively unchanged in composition for 200 years—the descendants of British and German (Pennsylvania Dutch) immigrants. The Lehigh Valley, home of Bethlehem Steel, Air Products and Mack Trucks, is beginning to benefit from an influx of white collar jobs based on its proximity to New York.

Coal and steel

America's industrial mid-west begins in Western Pennsylvania. Through ties stretching back to the westward migration in the early 19th century, Pittsburgh looks much more towards Cleveland, Detroit and Cincinnati than it does toward the east coast. This is the heartland of coal and steel—America's Ruhr.

Appalachia intrudes into Pennsylvania in the centre and north-east of the state, the largest, least prosperous and most sparsely populated region. In pockets of silted industry like Johnstown and Altoona unemployment is 15 per cent or more. Scranton, Wilkes-Barre and a host of smaller towns are still struggling to adapt to the post-war decline in north-east Pennsylvania's anthracite mining.

A rise in orders for the high-quality hard coal in the wake of oil price rises by the Organisation of Petroleum Exporting Countries (Opec), has reawakened hopes, but towns like Shamokin, overshadowed by peaks of spoil from long-abandoned mines, have seen few signs of new investment.

Governor Thornburgh, an attorney, is seeking a second four-year term in November against Congressman Allen Ertel, a moderate Democrat.



The election is expected to turn on national economic issues, specifically Reaganomics, which Governor Thornburgh wholeheartedly embraces and indeed anticipated with many of his policies in Harrisburg.

Another Republican, Senator John Heinz, has been less effusive about the President's policies and is favoured to win another six-year term in Washington. In a state where Heinz means pickles rather than baked beans, the heir to the Pittsburgh-based food empire does not stum on campaign spending. His probable Democratic opponent, Dr Cyril Wecht, is a county commissioner and former county coroner in Pittsburgh.

Mr Reagan's 1980 margin of victory in Pennsylvania was 324,000 votes out of 4.65m cast, helping the Republicans to elect Mr Arlen Specter to the state's other U.S. Senate seat.

The state's legislative representation in Washington falls this year with the loss of two of its 25 Congressional seats because of population growth of only 0.8 per cent in the 1970s. The Democrats have already lost one Congressman since the 1980 election with the defection of Mr Eugene Atkinson, who represents a western district, to the Republicans last autumn.

Philadelphia, Pittsburgh and other major industrial cities are Democratic strongholds, but suburban and rural votes have tipped the balance to the Republicans in recent years. If the pattern continues in 1982, the party's search for future leadership may turn to one of the big city mayors, Mr Wil-

Ham Green in Philadelphia and Mr Richard Caliguiri in Pittsburgh.

Democrats in an independent mould, both work closely with local business leaders. This has been the rule in Philadelphia where both "renaissances" have been based on extensive public-private sector co-operation. Mr Green, on the other hand, was elected in 1980, to succeed Mr Frank Rizzo, a former police commissioner who stoked racial tension in his eight years as mayor with a rough-and-ready law and order stance.

Controlling costs and maintaining services in the face of federal aid cutbacks test both majors, but militant public employees unions reduce Mr Green's freedom of manoeuvre in Philadelphia. Earlier this month he proposed a \$1.3bn budget eschewing new taxes, layoffs and cuts in services, but this assumed no wage rises for employees and additional state aid, both factors outside his control.

In Pittsburgh, Mr Caliguiri expects a \$10m-\$20m deficit this year on a \$225m operating budget. He will seek state legislative approval for a 1 per cent wage tax on everyone working in Pittsburgh (against a 4.81 per cent levy in Philadelphia) in an effort to raise revenue from commuters as well as city residents. "We are trying to provide services for the whole region without any help from the outside and that is going to have to change," Mr Caliguiri says.

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| Advanced technology proposals | II |
| Banking | II |
| Foreign investment | IV |
| Profile of Pittsburgh | IV |
| Tourist attractions | IV |
| Profile of Philadelphia | IV |
| Editorial production by Arthur Dawson | |
| Design by Philip Hunt | |
| BASIC STATISTICS | |
| Population (1980) | 11.87m |
| Per capita income (1980) | \$9,434 |
| Largest cities: | |
| Philadelphia | 1.65m |
| Pittsburgh | 423,938 |
| Erie | 119,123 |
| Allentown | 183,758 |
| Capital: | Harrisburg |
| Net corporate income tax: | 10.5% |
| Personal income tax: | 2.2% (flat rate) |
| Sales tax: | 6% |

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Today, H. J. Heinz products are known and enjoyed all over the world. But most people don't know that our company started in the food business in Pittsburgh, Pennsylvania, more than 100 years ago. That makes us one of the oldest food companies around—with a heritage as rich as our world-famous ketchup.



Since our beginnings, H. J. Heinz has expanded to include six continents and some 50 markets worldwide. But our corporate headquarters remain here, where they've always been.

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One of the reasons for our record growth is an ability to harness change. We view change, not as something to be resisted, but as an opportunity to provide new services and systems to meet new needs. Yours perhaps. If you're looking for growth in our part of the world, we can think of no bank better qualified to help you than a growing bank with international services and expertise. The Provident. Please contact us for a copy of our Annual Report and more information about how we can meet your needs.



Mr. Friedrich G. Mayer, Group Vice President, Provident National Bank
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PENNSYLVANIA II

Metallurgical sector and bituminous coal mines are affected Steel's troubles spread to other heavy industries

PENNSYLVANIA'S steel backbone is suffering from metal fatigue and bucking under the weight of recession and foreign imports. The state cannot re-design its economy on the model of Philadelphia's grand Victorian city hall, the tallest building in the U.S. unsupported by a steel skeleton, so a return to health will depend on abundant energy and efficient circulation.

"Pennsylvania will always be a steel state," says Governor Dick Thornburgh. "We are trying to be realistic about what the state of the steel industry will be in the world market."

The heart of the steel industry is the Ohio and Monongahela river valleys, with Pittsburgh at the hub. Three of America's five largest steel producers and many smaller ones are based in Pittsburgh; the number two U.S. group, Bethlehem Steel, has its headquarters in eastern Pennsylvania. The Pittsburgh area accounts for 22 to 25 per cent of U.S. steel output.

"It's still the largest single steel-producing area in the country but it is declining," says Mr Edmund Ayoub, chief economist and assistant to the president of the United Steelworkers.

The state has lost 50,000 jobs in primary metals and 21,000 in fabricated metals since 1973, and the drain continues with new layoffs and mill shutdowns. In the Pittsburgh area alone, 22,000 steelworkers have been laid off since July 1979. Less than 60 per cent of steelmaking capacity is being used, now that demand from the oil exploration industry has collapsed in the midst of a continuing soft market for motor vehicles and construction.

As a result shutdown looms for open hearth operations at U.S. Steel's historic Homestead works near Pittsburgh. Colt Industries will close its Crucible specialty steels plant at Midland on the Ohio River unless a buyer is found by the end of the year.

National Steel, the fifth largest U.S. producer, is talking about selling its Weirton mill in nearby West Virginia to the plant's 11,000 employees. Meanwhile, the acquisition of Marathon Oil by the industry giant, U.S. Steel, has heightened concern that diversification will divert investment from the steel sector.

"If the industry is operating at 58 per cent of capacity, who wants to invest in new capacity?" says Mr Ayoub. Mr Justin Horan, president of the Pittsburgh Chamber of Commerce, takes a similar view of reinvestment: "If it doesn't make economic sense, you know it won't be done."

At Wheeling-Pittsburgh, number eight in the steel league, management and union came up with a pact under which workers agreed to defer part of

increase employment in recent years, and it still draws related companies—such as equipment manufacturers—to the Pittsburgh area. Pennsylvania ranks fourth in U.S. coal output and touts its 30bn-ton reserves as a 200-year energy insurance policy even if the long-predicted boom remains just around the corner.

Coal illumines the end of more than one Pennsylvania tunnel. In the north-east, a proposed three-unit anthracite-fired power plant could raise production of the high-quality hard coal by as much as 4m tons a year. In the west, a planned coal-to-methanol plant near Johnstown would consume 13,000 tons a day of high-sulphur bituminous coal. Both regions dearly need the investment and the jobs.

Some 80 per cent of Pennsylvania's electric power is generated with coal, but nuclear energy has kept the state in international headlines. Cleanup is proceeding slowly at Three Mile Island, where the reactor core of one unit suffered a partial meltdown in March 1979, but hickering continues over the mounting bill.

Proposals for sharing the estimated \$1bn cost between General Public Utilities, the plant's owner, the U.S. electric industry, and the federal, Pennsylvania and New Jersey governments have made little progress towards implementation.

Three Pennsylvania counties have returned Three Mile Island to the political agenda with a referendum on May 18. The question centres on the proposed restart of unit I, which was unaffected by the accident but was recently discovered to have leaks in its secondary cooling system.

Exploitation of energy resources has added to the urgency of improving the state's transport system. Pennsylvania leads all states in drawdown of available federal highway funds. The Thornburgh administration has spent \$500m on highway maintenance in the last two years, much of it on improving roads from coal-mining regions.

Conrail, the federal corporation that operates 78 per cent of the state's rail mileage, has rehabilitated its tracks and rolling stock with coal transport in mind. It is trebling its coal-handling capacity in the port of Philadelphia with an expanded Pier 124 opening in

late summer.

Philadelphia's ports, stretching into three states along 135 miles of both banks of the Delaware River, have not yet recovered from their 1980 setback when total cargo handled fell to 67.56m short tons from 80.37m in 1979. Preliminary figures indicate no improvement last year.

Philadelphia against 3 cents per ton for New York and 2 cents for Baltimore.

The heavily silted Delaware River channel must be continuously dredged along its 130-mile length to maintain its authorised 40-foot depth. "That's going to kill us if it goes through," says Mr Tom Dickson of the Philadelphia Port Corporation.

User fees are also a live issue in Pittsburgh, one of America's largest inland ports handling 72.5m tons in 1979. Officials there fear that President Reagan's intention to rely on a special fuel tax to fund all construction and maintenance of inland waterways will result in the extensive system falling into disrepair.

Governor Thornburgh does not object to a "fair user fee structure" although he views some of the proposals as discriminatory against Pennsylvania and the surrounding region.

A longer-term question mark over the Ports of Philadelphia is the Reagan Administration's plan to sell Conrail to the private sector by 1984 at the latest. The intention is to sell the system—which recorded its first operating profit of \$39m last year—as a going concern; if that proves impossible a piecemeal disposal is envisaged.

The latter could threaten the mainline between Philadelphia and Pittsburgh and divert mid-western traffic to other Atlantic ports. Governor Thornburgh is also sanguine about this: "If the main east-west lines across Pennsylvania didn't exist we'd have to invent them."

Clay Harris

Philadelphians are second only to Houston as a U.S. petroleum refining centre. The modern oil industry was born in Pennsylvania when Edwin Drake drilled the first well at Titusville in the north-west in 1859. As late as 1900, the state accounted for 60 per cent of U.S. output. It still produces more oil—2.85m barrels in 1980—and natural gas than any other north-eastern state. Pennsylvania's high quality paraffin-based crude is relatively free of asphalt, sulphur and other impurities.

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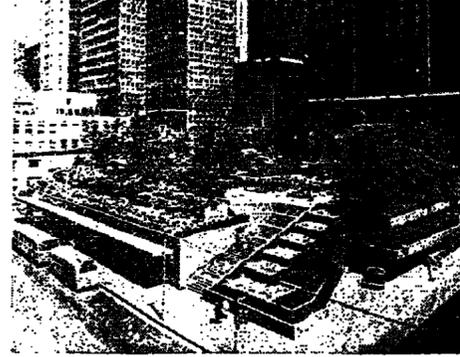
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Clay Harris



Major corporate headquarters such as U.S. Steel and Alcoa (Pittsburgh is the nation's third largest city judged by corporate HQs) are within easy reach of parks like Mellon Square in the downtown area

Proposals to project the state into the forefront of advanced technology include state aid amounting to \$1.5m.

Hope for more Silicon Valleys

WHEN Benjamin Franklin flew a kite to test his theories about electricity, he was not using new technology but adapting old technology to a new purpose. In the belief that lightning will strike twice in the same place, Pennsylvania has put the name of its statesman-scientist on a plan to spark the development of advanced technology industries in the state.

Governor Dick Thornburgh is seeking legislative approval for the Benjamin Franklin Partnership which he says is designed to "project Pennsylvania into the forefront of advanced technology." The state would provide \$1.5m in seed money to be matched by an equal amount from private sources.

Mr Geoffrey Stengel, Jr., Secretary of Commerce, says the money would "be given to consortiums of universities, private businesses and local community representatives for the development of a five-year advanced technology plan in their areas which could very well include the establishment of advanced technology centres similar to what you see in North Carolina—the Raleigh-Durham-Chapel Hill triangle—perhaps leading to a network of such centres each specialising in certain fields."

Pennsylvania, in other words, wants not one Silicon Valley, but several, each based on existing academic and industrial strengths. Pittsburgh is already a leading research and development centre. The Pennsylvania Turnpike between King of Prussia and Fort Washington north-west of Philadelphia, shows signs of becoming a high-technology corridor on the model of Boston's Route 128.

Philadelphia's University City Science Centre is an urban variant which holds out special hope for increasing entry-level employment. More than half of the 4,500 jobs in this R and D complex require no more than a high school education. Pennsylvania hopes to offset the Reagan Administration's cuts by cashing in on increased defence spending. In Philadelphia alone, the

Navy Yard has contributed \$1.4bn to the economy in two years with contracts to overhaul the aircraft carrier Saratoga and 15 other vessels; and Boeing Vertol's contract to modernise 436 CH-47 Chinook helicopters for the U.S. Army will be worth \$2.5bn over 12 years.

The state's two U.S. Senators are sponsoring federal procurement conferences for potential contractors in an effort to return more tax dollars to Pennsylvania.

Key role

Manufacturing still plays a key role in Pennsylvania's economy despite the loss of more than 254,000 jobs since 1970. It accounts for about 27 per cent of non-agricultural employment against 35 per cent 12 years ago; comparable figures for the U.S. are 27 per cent and 21 per cent.

In 1981 the state ranked ninth in a national survey of new facilities and expansions by manufacturing companies employing 50 or more. This included 61 new manufacturing facilities worth at least \$10m. 84 expansions worth \$500,000 or more and 17 projects combining expansion and new facilities.

Pennsylvania retains a diversified manufacturing base in addition to the many steel groups with headquarters and operations in the state. Representative sectors include aerospace (Rockwell, Boeing Vertol); non-ferrous metals (Alcoa); diversified industrial groups (Westinghouse, PPG Industries, Air Products, Dravo, General Electric); drugs and chemicals (SmithKline, Beckman, Rohm and Haas, Fenwal, Arco Chemicals, Rohrer, Merck Sharp Dohme, Wyeth); oil (Gulf, Sun, Quaker State Refining); building materials (Certain-teed, Armstrong World Industries); containers (Crown Cork and Seal, Brockway Glass); food products (H. J. Heinz, Hershey Foods, Bluebird); paper (Scott Paper, Hammermill); clothing (VF) and making equipment (Joy Manufacturing).

C. H.

Non binding

Although the referendum is non-binding, it follows a court ruling that the U.S. Nuclear Regulatory Commission must consider the psychological impact on area residents before a restart, originally scheduled for this month, gets the go-ahead.

The debate about nuclear power is stilled on dead centre until the cleanup of the first commercial nuclear accident is behind us," Governor Thornburgh says. The state has moved in the meantime to ensure that its energy policy does not depend on additional nuclear power.

Sharp fall

The sharp fall reflected a 22 per cent reduction in oil imports and a 20 per cent decrease in general cargo tonnage. Hampton Roads in Virginia took Philadelphia's place as the busiest U.S. port for international trade.

The Committee of 70, a Philadelphia civic group, blames the ports' decline against Hampton Roads, Norfolk and Baltimore on lack of co-ordination among state, county and local agencies in Pennsylvania, New Jersey and Delaware.

"The only hope left for the Ports of Philadelphia," the committee says, "is the rapid implementation of a structure of port governance with sufficient power to marshal the available resources into a competitive unit of facilities and services capable of holding its own in the open market."

There are a few bright spots for the port—a 53 per cent rise in imports of cocoa bean products in the first nine months of last year for example—but new problems loom on the horizon. Port officials claim that a federal plan to shift the cost of channel maintenance to each port would add 40 cents a ton to shipping costs from

Liberalisation of banking law may have come too late

Banks nurse ambitions broader than regional identity

PENNSYLVANIA HAS lots of banks—some people say too many—but for a state its size with major cities like Pittsburgh and Philadelphia, it has surprisingly few banks in the big league. In fact there is only one: Mellon National in Pittsburgh with \$18.5bn in assets which makes it the 15th largest in the U.S.

The bulk of the state's best-known banks come some way behind clustered in the 94-7bn range: names like Philadelphia National, Pittsburgh National, Girard and First Pennsylvania, the latter having cast something of a shadow over the state's banking industry when it came perilously close to collapse a couple of years ago. A government-backed \$1.5bn rescue operation kept First Pennsylvania alive and the bank is now struggling to get back on its feet.

Size and quality do not necessarily go hand in hand, of course, and the fact that Pennsylvania has a large number of medium-sized banks does not mean it is bereft of good banking services. But the ability to lend more than 10 per cent of particularly under U.S. banking law which says banks cannot lend more than 10 per cent of their money to any one customer.

Some people argue that the state has suffered from the shortage of really big banks. Philadelphia, one of the largest concentrations in the U.S. is out-ranked in the banking league by places like Boston, Detroit and Minneapolis. But Pennsylvania can only blame itself if that is so. The state has some of the toughest banking laws in the north eastern U.S. and has been slowest to change them.

It was not until last month that the state enacted legislation to allow banks to expand either by acquisition or branching into counties beyond those that are immediately next door to their headquarters. But that law only got on to the statute books after long and bitter wrangling between those who feared that the big banks would only get bigger and trample the small ones and those who believed that the stunted banking industry was harming the state. The law only allows banks to

expand in stages over two successive four-year periods to discourage a disruptive flood of acquisitions. Even so, Pennsylvania banking circles are now buzzing with speculation over who is about to buy whom. The big banks are understandably wary of discussing their plans, though they admit to studying the matter closely.

Ironically, the liberalisation may have come too late. Some banks would plainly prefer to expand by selling services and high technology hook-ups to other banks rather than by

their regions, many nurse broader ambitions than that. Some, indeed, are sensitive to suggestions that they may be "only a regional bank. While local deposits and lending account for a big chunk of their balance sheets, a number have offices outside the state and even abroad, and conduct business on a national and sometimes worldwide scale.

"We're not a regional bank, but we're not one of the big multinational banks either, and I'm not sure that we have ambitions to become one," said

reach the enormous market created by the Philadelphia-Camden-Wilmington conurbation. Although they have been able to place automatic tellers in all three states, New Jersey banking regulations prevent direct hook-ups, so the networks have yet to be pulled into one.

By the same token, Pennsylvania banks face stiff competition from out-of-state banks and foreign banks. Few of the large U.S. banks actually have offices in Pennsylvania: they fly loan officers in from New York, Chicago and California. Chase Manhattan, with an eye on the day when inter-state banking becomes possible, has acquired an option to buy a stake in Equimark, a large Pittsburgh bank. Equimark was amenable to the deal. It lost over \$48m last year and was looking for a big injection of capital.

The foreign banks that have opened up there feel they have a special advantage: most of them have larger international networks than the Pennsylvania banks which gives them a good entry to the big multinational corporations based in the state, particularly in and around Pittsburgh.

At the same time, they are on the spot, which puts them ahead of the big U.S. New York banks who are not allowed to open branches in Pennsylvania. So far, two UK banks (Lloyds and Barclays), three Canadians (Imperial Bank, Royal Bank and Toronto Dominion), two Israeli banks (Hapoalim and Leumi) and Algernon Bank of Holland are there. The Israelis are in Philadelphia, the others in Pittsburgh.

The law allows them to conduct the full range of banking business on a par with local banks, provided their own countries reciprocate. But while these powers include high street banking, the foreigners have tended in practice to go for wholesale banking such as corporate lending, trade finance and commercial banking services. Their marketing is aimed mainly at the Fortune 1,000 companies of whom there are a fair number in Pittsburgh and the surrounding region.

David Lascelles

MAJOR BANKS 1981

| | Total assets (\$bn) | Net income (\$bn) | Rank in U.S. |
|-----------------------|---------------------|-------------------|--------------|
| Mellon National | 18.4 | 126 | 15 |
| Pittsburgh National | 6.9 | 64.4 | 31 |
| Philadelphia National | 6.3 | 39.6 | 35 |
| First Pennsylvania | 6.3 | 5.2† | 51 |
| Girard | 4.8 | 38.7 | 56 |
| Fideler | 3.7 | 26.4 | 74 |
| Provident National | 3.3 | 26.8 | 83 |
| Equimark | 3.0 | 46.2† | 92 |

†Loss
Source: Forbes Magazine

buying bricks and mortar branches which could soon be relics of a bygone banking age. But at least the road to state-wide banking is now clear.

The state's tough banking laws also applied to consumer lending: banks could not charge more than 12 per cent on many loans at a time when market rates were much higher. So, not surprisingly, many stopped making consumer loans and issuing credit cards rather than make a loss on them.

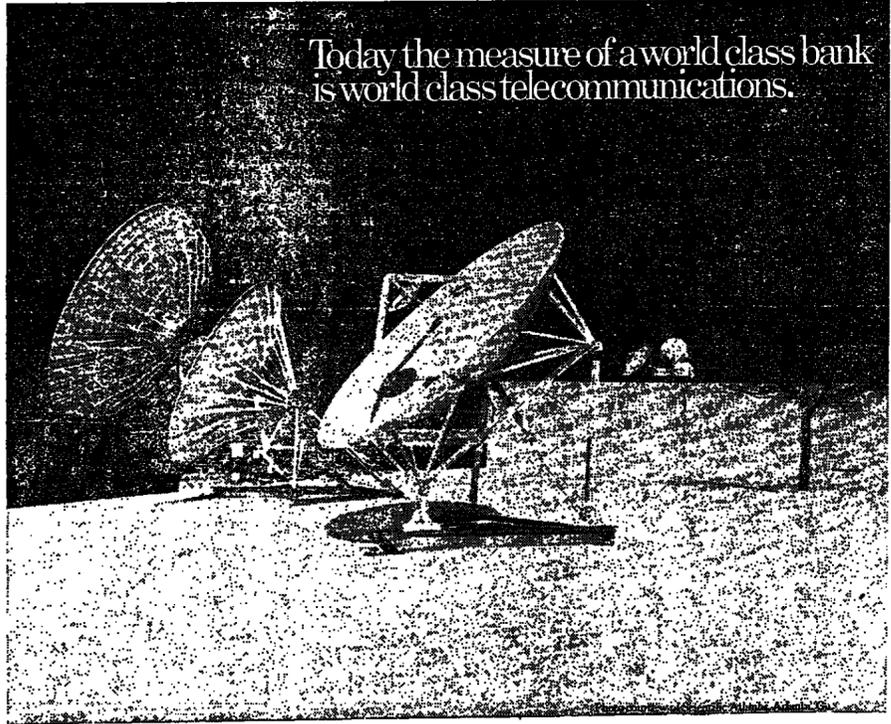
To escape these laws, several Pennsylvania banks are in the process of shifting their consumer lending business to neighbouring Delaware which has more liberal laws. This has angered the state government because it will reduce employment, mainly in and around Philadelphia, and the state treasurer has threatened to take business away from banks that move.

Although Pennsylvania's banks are strongly identified with

Mr David Barnes, the chairman of Mellon. Unquestionably Pennsylvania's premier bank, Mellon prides itself in taking a prudent but not a timid approach to business which has produced steady, if unspectacular, financial results even in bad years like last year.

Mr Robert Milson, president of Pittsburgh National, which has developed a reputation as one of the state's more aggressive and innovative banks, said: "Less than half our business is down in this region. We are bankers to several multinational companies and we have followed them abroad."

Philadelphia National and Girard tend to be more regionally oriented, although they, too, seek business outside the state and the U.S. Both are particularly keen to use their strategic location at the corner of three states (Pennsylvania, New Jersey and Delaware) to develop interstate banking connections and



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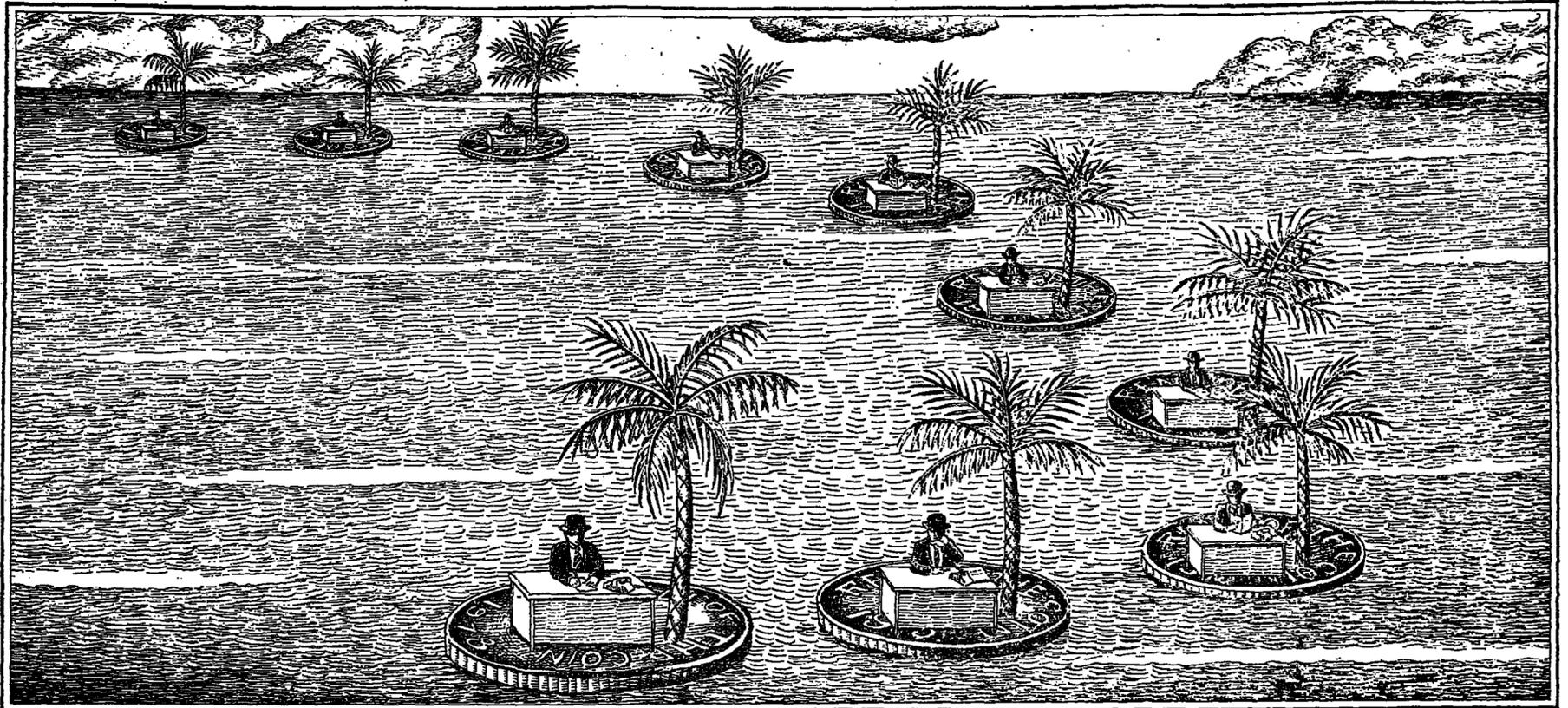
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Mellon Bank

مركز الاموال

The Widening World of Captive Insurers



Simplified placement of insurance, cost benefits, and the availability of professional management services are all factors behind the continuing growth of captive insurance companies.

A brief review by INA of an insurance topic of interest to business executives.

For a growing number of companies, the insurance subsidiary or "captive" is an idea whose time has arrived.

There are now at least 1,000 captives, both individually and group owned, operating worldwide. Over ninety of them have been formed in the last year alone. Moreover, with costs continuing to escalate for full-risk protection through conventional policy coverage, captives are expanding both the volume and scope of their underwriting activities. Coverages currently provided by captives, in addition to difficult-to-place lines like medical malpractice and product liability, include property, business interruption, comprehensive liability, automobile, workers' compensation, pollution insurance, and employee-related health and disability.

Most captives were originally formed to write insurance for the parent company or group only, but as they grew in experience (and in capital surplus) some began to accept risks from unrelated outside companies. This makes the captive more of a full-fledged insurance company, which may have important tax consequences for the sponsoring company.

At one time, a captive was considered feasible only for the very large company or trade association, and the capital outlay required may still rule out a wholly-owned captive for many companies. But many captives are now being formed by groups and by medium-sized firms.

The Bermuda angle

Many captives today—about 700 of them—are based in Bermuda. American multinational companies that do not restrict their captives to doing business with the parent company find Bermuda particularly advantageous, since income derived from overseas insurance operations is not taxable until the funds are repatriated.

With the advent of the captives, Bermuda has become a world insurance center, handling as much as two billion dollars in premiums each year. As much as \$500 million is outside business not related to the captives' sponsors.

What has led companies to establish captives? Essentially, a captive represented an extension of the self-insurance trend. In part, this was a reaction to situations in which commercial coverages for certain risks had become either unavailable or prohibitively expensive.

Lower expense ratios

Today, however, with commercial insurance less restricted, the motives are largely financial.

When insurance is placed directly with the captive, a company may be able to realize a savings of the commercial insurer's overall administrative

costs. On the other side of the ledger is the cost of executive time devoted to a captive, as well as any fees for its management.

In addition, retention of premium reserves by the captive instead of an insurance company can have important cash flow advantages for the parent company. And the fact that a captive can reinsure a large part of its risks can mitigate against the disastrous loss-at-reinsurance rates that can be lower than those for primary insurance.

Backing and fronting

Reinsurance, in fact, can play a key role in the affairs of a captive, since many parent company risks are too large for a captive to handle without the backing of another insurer.

In one arrangement, the parent company pays premiums directly to the captive for primary insurance, but a large amount—say 80%—of the risk is immediately transferred to a reinsurance company. Or, in another arrangement called "fronting," the parent pays all premiums to a primary insurer, which then cedes perhaps 50% of the risk to the captive as the reinsurer. In some cases the captive handles part of both the primary and reinsurance coverages. All of these arrangements involve some major tax considerations.

A decision about setting up a captive can be difficult. The first step

should be a comprehensive survey of the company's risk exposures and insurance coverages, together with all other relevant factors such as cash flow and financing considerations. If the study suggests that a captive is advisable, insurance brokers and some insurance companies—including INA—can be instrumental in its creation and management.

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INA
The Professionals

PENNSYLVANIA IV

After Volkswagen, sights are set on smaller game

State lures more foreign investment

THE PRIZE TROPHY of Volkswagen's first U.S. assembly plant made Pennsylvania the envy of other foreign investment hunters in 1978. In recent years the state has turned its sights on smaller game and increased its bag considerably.

By the end of last year, 353 European companies employed nearly 90,000 people in Pennsylvania. Thirty companies, accounting for 5,248 jobs, arrived in 1981, making the state third only to New York and California in number of new projects. It ranked second the previous year with the arrival of 30 European companies employing 6,500 people.

Pennsylvania stepped up its bid for foreign investment last year with the creation of five overseas offices, more than any other state, in London, Frankfurt, Paris, Tokyo and Mexico City. It now has more than 100 active prospects, four to five times as many as before the offices were opened.

many companies—our inclination is to spread them around," says Mr. Leighton Wildrick, director of the Department's international bureau.

Evidence from all sides supports the strategy. "We have more prospects than ever before even though the economy is weak and unemployment is much too high," says Mr. Geoffrey Stengel Jr., Pennsylvania's Secretary of Commerce. And Volkswagen has not escaped the effects of recession. "We're part of the American automobile industry and you know how that's going," says Mr. Chet Vahn, a company official. The assembly plant near New Stanton, south-east of Pittsburgh, employs close to 5,000 now that 700 workers have been laid off permanently, but it closed down for a total of six weeks in the first three months of this year because of weak demand.

Gradual pattern

While not overlooking large Pennsylvania-based industrial or retailing concerns with foreign owners—Budd Company (Thyssen), Certain-teed (St Gobain), Copperweld (Imetel), Gimbel's (BAT Industries) and Bluebird (Northern Foods) to name but five—new entries to the state usually begin on a smaller scale and follow a gradual pattern of development from distribution to assembly to manufacture.

The progression is often mirrored in the premises required: here the troubles of the state's economy have a silver lining. "Vacant plants," Mr. Stengel notes, "although they are a sign of weakness, can be very attractive to companies." Even for Volkswagen, a crucial factor in selecting Pennsylvania was the existence of a shell building, never completed by Chrysler, which allowed it to save time and money in beginning production.

Bracker Corporation, a subsidiary of the Swiss-based Walter Braecker AG, leased 6,000 sq ft in an industrial park near Pittsburgh when it set up in 1978 as a distributor of imported riveting machines. That was far too much space then, according to Mr. George Suter, executive vice-president, but now that the company is making 40 to 50 per cent by volume of the equipment sold in the U.S., the premises are filled to capacity and Mr Suter is looking for more space.

Dowty Corporation, part of the UK-based Dowty Group, is one step further along the line. It has moved its long-wall mining equipment activities, including manufacture of roof supports and belt conveyors and overhaul of hydraulic systems, to a 86m-87m purpose-built facility in an industrial park 22 miles north of Pittsburgh.

Production, and administrative, design and sales offices, were previously scattered among three leased buildings which had been occupied over the years as Dowty moved from sales and service into manufacture.

The Department of Commerce keeps a computer file of available buildings and sites to help companies satisfy their specific requirements.

For Dowty, as well as other companies, proximity to customers and the state's excellent transport system played a key role in the choice of location. Dowty's new factory at Warrendale adjoins the junction of two interstate motorways that lead east, south and west into the heart of the coalfields of Pennsylvania, West Virginia and Ohio. All major customers in the eastern U.S. are no more than an overnight truck journey away, according to Mr. Matthew Spedding, Dowty's president.

National Draeger, an offshoot of West Germany's Draegerwerk, assembles gas detector tubes and compressed breathing apparatus near Pittsburgh because most of the regulatory agencies which must approve the equipment are located in the region.

Mr. Rolf Dangers, National Draeger's president, said his business depended on qualified suppliers and workers and this was one reason why the sunbelt was not considered.

"You don't want to go to Arkansas to hire some hill-billies or cowboys because you have to train them for 10 years to understand the word 'industry,'" Mr. Dangers said. "If you deal with lifesaving and sophisticated apparatus, you cannot just go to any state in the union. They will be non-union for sure but you will have to train them yourself."

Mr. Samuel Reich, president of Pocal, a subsidiary of Tel Aviv-based Salgad, has also found an abundance of skilled workers in north-east Pennsylvania at the other corner of the state.

"You have very good people at reasonable wages," Mr. Reich said, attributing this to high unemployment. "You can get skilled labour as well as unskilled." Pocal is preparing to begin production at Moscow, near Scranton, of plastic training rounds which will be marketed in conjunction with live munitions made by its Israeli parent.

Mr. Mathieu Gerserts of Velda U.S. has been less impressed by the labour pool in central Pennsylvania. His company, owned by Belgian shareholders, processes sawn red oak into panels before shipping it to furniture factories in Europe. The plant at McElhattan near Lock Haven employs 74, but all required training.

Clay Harris

Pittsburgh seeks more R&D links

PITTSBURGH'S latest "renaissance" aims to consolidate the city's post-war transition to a corporate and research centre from an industrial economy tied too closely to the fortunes of steel. Pittsburgh still rides the steel roller-coaster but, with primary metals now accounting for less than 10 per cent of the area's workforce, each recessionary dip causes less of a jolt to the economy as a whole.

Pittsburgh ranks third in the U.S. in number of headquarters of leading corporations and trails only New York in control of invested capital. Corporate purse-strings act as a magnet for leading engineering companies and capital goods suppliers because purchasing decisions are made here.

Research and development is the third largest industry in Pittsburgh: more than 20,000 scientists and engineers work in 170 R & D facilities throughout the area. Universities play an important role. Carnegie-Mellon's robotics institute works closely with industry, and medicine is only one of the strengths of the University of Pittsburgh, where Dr. Jonas Salk developed his polio vaccine.

The Golden Triangle—the Allegheny and Monongahela rivers converge here to form the Ohio—began to gleam after smoke abatement measures in the late 1940s. Before then, darkness at noon was not uncommon. Street lights were left on all day; businessmen took a change of shirt to work; coal dust had to be blown off plates at midnight.

| Year | Short tons (m) output | % of U.S. |
|------|-----------------------|-----------|
| 1977 | 25.74 | 20.5 |
| 1978 | 26.07 | 20.7 |
| 1979 | 25.52 | 21.0 |
| 1980 | 24.7 | 19.9 |

Source: American Iron and Steel Institute

The post-war urban redevelopment known as Renaissance I is a monument to the timely partnership of two unlikely allies. Republican financier Richard King Mellon—Gulf Oil represented only the tip of the iceberg of his family's empire—mobilised the business community into unprecedented co-operation with the city government led by David L. Lawrence, long-time mayor and Democratic party boss who eventually became Pennsylvania's Governor.

This set a pattern for public-private sector co-operation which has remained Pittsburgh's hallmark to this day. The Chamber of Commerce has arranged the secondment of corporate officials to advise local governments on such things as purchasing and fleet management, achieving estimated first-year savings of \$2m in Pittsburgh and \$5m in surrounding Allegheny County.

The main development projects in Renaissance II, the latest five-year \$4.5bn programme, include:

- PPG Industries' \$100m-plus corporate headquarters, a 40-storey tower incorporating the company's latest word in energy-efficient reflective glass; a \$120m headquarters for Dravo, the diversified industrial group; Liberty Center, a \$126m office and hotel complex; and One Oxford Centre, a \$100m office and retail development now nearing completion.

Already finished are a \$40m convention centre; and the first phase of Station Square, a \$350m retail, hotel and entertainment development. Other projects include \$500m expansion and improvements at Greater Pittsburgh International Airport and a \$450m Light Rail System, which will shift the city's tram lines underground and extend them deep into the central business district.

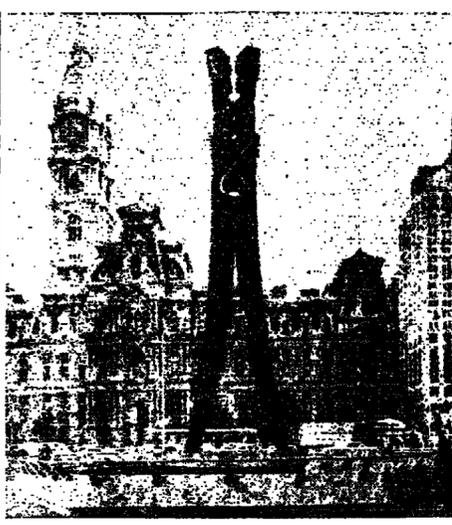
With cultural resources such as Heinz Hall (a former cinema opulently converted into a first-class auditorium for opera, theatre and the Pittsburgh Symphony), Pittsburgh has no problem attracting professionals from all over the country. A recent study ranked it fourth among "liveable" American cities.

But mill and mine closures may be creating a "lost generation" of local workers ill-equipped to adapt to white-collar employment and reluctant to take lesser skilled and lower paying service jobs. Relatively few will be able to take advantage of a training programme, for example, to relieve a shortage of heating engineers for the new wave of office blocks.

The result, in most cases, is not the grinding poverty found in some other U.S. cities. The traditional high wages paid to Pittsburgh's skilled workers have given it the highest proportion of owner-occupiers of any large city. Its ethnic neighbourhoods are stable and unchanging; many houses are sold privately rather than admit "outsiders".

Nevertheless, Pittsburgh's successful shift to a service-orientated economy has intangible human costs which have yet to be reckoned into the balance sheet.

C. H.



Victorian City Hall, still Philadelphia's tallest building, and Claes Oldenburg's "Clothespin"; right, Pittsburgh's Golden Triangle



Nancy Dunne describes some of the state's historic landmarks

Everything for the tourist from Gettysburg to a candy museum

TRAVELLING EAST across the United States, Pennsylvania looms as an oasis of stupendous mountain views, sandwiched between the flat dreariness of Ohio and the scenic wasteland of industrial New Jersey.

It is not that Pennsylvania lacks the incessant succession of garish commercial strips and shopping centres which mar the town and urban landscapes of other states. But the natural beauty of the area is such that it reduces its man-made blemishes to forgivable proportions.

Even the state's industrial regions, in and surrounding its two large cities, Pittsburgh and Philadelphia, offer scenic splendours as well as interesting cultural attractions.

The approach to Pittsburgh at dusk in the state's southwest corner would delight Don Quixote. The skyline, seemingly grabbed by the monster silhouettes of industrial structures, resembles nothing so much as the windmill foes which the chivalrous knight met head-on.

By daylight the world's leading steelmaking city bursts into stunning view with skyscrapers housing the headquarters of such giants as Gulf Oil, U.S. Steel, Alcoa and Westinghouse. One of the first to produce a successful urban renewal programme, the city's old reputation as a soot-smothered pollution-ridden industrial giant is dead.

Pittsburgh has come a great distance since the days when white collar workers came home at night in grey shirts, and street lights turned on automatically at noon. Now it is called the city of bridges for its 1,400 steel bridges across the Allegheny and Monongahela rivers, meet there to form the Ohio. The rivers, three of the hardest working in the nation, were once befouled by the city's rapid industrialisation. They now run clear after decades of massive

clean-up efforts.

At the point where the three rivers meet the Golden Triangle begins. It is Pittsburgh's rebuilt and revitalised business district where skyscrapers make a striking contrast with the gothic and Victorian architecture of bygone eras—the steel, iron, aluminium and glass alongside nooks, crannies, carvings and gargoyles. Now under construction are the skeletons of a new generation of high-rises, along with a comprehensive mass transportation system.

There is much to do and see in Pittsburgh: art museums, planetariums, a zoo, a stunning botanical garden, 27 colleges and universities, river cruises and ball games. The city is the home of the professional Pittsburgh Steelers football team and Pirates baseball team. The Carnegie Museum and library contains a famous Ingle dinosaur skeleton collection. The Pittsburgh Symphony is world famous.

Shopping mall

In the throes of its "renaissance II" development, the city has completed a \$30m shopping mall, station square, on the site of an old railroad depot, along with the vast grand concourse restaurant. Nearby, sightseers ride unique hill climbing cable cars up Mount Washington for a breath-taking view of the downtown.

Philadelphia, in the state's southeast, "the cradle of liberty" where the nation's Declaration of Independence was signed, is a blend of quaint and modern, of colonial and 20th century architecture. The city reeks history—from the ivy-covered walls of the University of Pennsylvania, founded by Ben Franklin and associates, to Elfreth's Alley with cobblestone and brick walks to Independence Hall where the colonists

broke ties with the mother country. Philadelphia advertises "the most historic square mile in America," which includes: Independence National Historical Park, Penn's Landing, Society Hill and Old City.

The city fathers have an age-old tradition of supporting cultural activities. Philly's 90 museums and cultural offerings include: the Museum of Art, the Rodin museum, the antique toy museum, the Academy of Fine Arts. The Philadelphia Orchestra performs in the academy of music, and free summer concerts are held in Fairmount Park, the country's oldest park which houses the oldest zoo and a series of historic houses.

Philadelphia, as one of the 13 original colonies and one always in the centre of the action, abounds with historical interests. Foremost of these is Gettysburg, scene of a great civil war battle. The over-commercialised attractions which border the battlefield cannot obscure the fascination Gettysburg offers the history buff.

The area now features at least 20 side shows like:

- Battlefield bus tours, in which Raymond Massey and a Hollywood cast of actors, technicians and special music recreate the battle.
- The Hall of Presidents with bad statues of each President with accompanying taped summaries, exceedingly superficial, of his administration and an interesting presentation of Dwight Eisenhower's paintings.
- The Lincoln train ride, a simulated ride along an 1863 presidential train featuring tapes of the alleged conversation aboard.
- Battle Theater with an electronic map of events leading up to the battle followed by a multimedia show with quadrophonic sound and moving maps describing the three day battle.

Unlike the other attractions like the Prince of Peace

museum (featuring the life of Jesus Christ), a rebuilt old Gettysburg village requires no charge to visit the exhibits and shops. Also free and most fascinating is the battlefield itself, clearly marked by memorials to explain how events took place.

Other historic places dot the state, like the Four Pitt museum in Pittsburgh with firearms, exhibits, models and reconstructed rooms and a recreated regiment of the British Army; Brandywine Battlefield national museum near Philadelphia; Eckley miners' village, preserving the way of life in the Pennsylvania coal fields; and French Azilum, once the site of a French refugee colony.

Good food

Pennsylvania was settled by many dissident religious sects in search of religious freedom. Descendants of the Amish, Mennonites and brethren, the "plain people" whose life styles remain as in the past, offer a variety of tourist activity. And some of the best food in the world.

Pennsylvania Dutch inhabit a land of quaint where the wanderer from superhighways is apt to pass, startled, horse-driven buggies and windmills. Farmer markets feature home-baked breads, country-cured meats, sausages, shoo-fly pie and funnel cake.

With its many mountains, Pennsylvania offers some of the country's best skiing, excellent fishing and 50 state parks. Amusement parks are everywhere, the most unusual of which is Hershey Park with joy rides, the world's largest chocolate family, a museum featuring the famous American candy, 23 acres of splendid gardens and a permeating smell of chocolate guaranteed to drive dieters to distractions.

The city, home to many industrial groups, is rich in culture

Philadelphia sees progress hampered by recession

"NEVER in recent memory has this city shown more signs of growth, progress, momentum and vitality. But never in recent memory has this city been hit harder by the combination of a national recession and federal funding cutbacks."

Mayor William Green, presenting his draft budget earlier this month, thus expressed the prevailing mood in Philadelphia: America's fourth largest city has begun to turn the corner after decades of decline, but that progress is being undermined by circumstances outside its control.

Philadelphia lost nearly 14 per cent of its population and 43 per cent of its manufacturing jobs in the 1970s, but it remains a major commercial, financial, corporate, educational and medical centre. Belated recognition that it is a stimulating and cosmopolitan place to live is dispelling an undesired image—thanks to W. C. Fields—of unrelieved tedium.

Center City, the main business and commercial district stretching between the Delaware and Schuylkill rivers, is experiencing its second post-war boom. The cornerstone of the first was Penn Center, a cluster of office blocks adjacent to City Hall.

Now four new hotels worth a total of \$180m are under construction with others on the drawing board. Older hotels are being restored to former grandeur; the biggest comeback is the resurrection of the Bellevue Stratford from un-

timely death after its unwelcome fame as the place where legionnaire's disease got its name in 1918.

Gallery II, a \$194m retail and office complex, has been approved. A \$300m rail tunnel is being built to link two city centre stations, and a high-speed rail line to Philadelphia International Airport is nearing completion. Boeing Vertol is assembling Kawasaki subway carriages and trams for Septa, the regional public transport system.

Philadelphia is home to many major industrial groups including Sun, Scott Paper, Rohm and Haas, SmithKline Beckman, Pennwalt and Crown Cork and Seal and corporate division such as Arco Chemical and Boeing Vertol. It is strong in banking (leaders include Girard, First Pennsylvania, Philadelphia National and Provident National) and insurance (Cigna—product of the INA/Connecticut General merger, Fidelity Mutual and Penn Mutual). Philadelphia Stock Exchange, America's oldest, is the second largest regional exchange with 221.5m shares and more than 10m options traded last year.

The city has an astonishing wealth of sculpture, fountains, murals and mosaics in parks and lobbies and on street corners. Since 1959 the redevelopment authority has required developers to set aside 1 per cent of building costs for provision of public works of art. Claes Oldenburg's giant clothespin or

Robert Indiana's "Love" or statues by Jacques Lipschitz also serve as landmarks for urban navigation in an age of look-alike buildings.

Restoration of the Society Hill district was the first outcrop of gentrification in Philadelphia. The process continues inexorably—quickenening or slowing changes in interest rates—in the nearby neighbourhoods of Queen Village and Head House Square and others around the perimeter of Center City.

Urban decay

Outside the centre, ethnic neighbourhoods like the tightly-knit Italians in South Philadelphia fiercely guard their identity. In other areas, urban decay is pervasive. Mr Richard Doran, director of commerce, estimates that half of the city's blacks—who comprise 38 per cent of the population—are in dire straits because of unemployment, bad housing and inadequate education. He fears that the true number of unemployed is much higher than the official 68,000 because of tens of thousands of people who officially "don't exist."

William Penn still towers head and shoulders above the City of Brotherly Love he founded 300 years ago. Philadelphia, despite popular myth, has no law that stunts new buildings to keep them shorter than the 549-ft City Hall tower from which Quaker colonist surveys his city; the web of trad-

ition suffices. Philadelphia is a modern and cosmopolitan city rich in ethnic and social diversity, yet its ethics and style continue to reflect its Quaker heritage.

"This is very much a pluralistic society—consensus is important here," says Mr Henry Wendt, president of SmithKline Beckman. "The sense of hierarchy and orderly management is not strong here as it is in Pittsburgh."

"The corporate leadership here traditionally has been a sort of stolid, unimaginative group," says Mr William McLaughlin, assistant city representative. "There are signs of hope in that regard."

"PhiladelphiaStyle is growing without making waves," says Mr Frederick Voigt, executive director of the Committee of 70, a pressure group for "good government." His well-rehearsed quip, taking off one of the city's promotional slogans, shows that outsiders are not alone in poking fun with boary jokes like "I went to Philadelphia but it was closed."

Philadelphia is not closed. Nor is it drowning. At worst it is treading water to keep afloat in choppy economic seas. At best, it has begun to swim for the shore with increasingly confident strokes—but even when its feet can touch bottom, danger will remain from an underflow of persistent social and economic deprivation.



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مركزنا للأعمال

WORLD STOCK MARKETS

NEW YORK

Table of New York stock prices including columns for 1982 High, Low, Stock, and April 25 price.

1982 High Low Stock April 25

Table of 1982 High, Low, Stock, and April 25 prices for various companies.

1982 High Low Stock April 25

Table of 1982 High, Low, Stock, and April 25 prices for various companies.

1982 High Low Stock April 25

Table of 1982 High, Low, Stock, and April 25 prices for various companies.

CANADA

Table of Canadian stock prices including columns for 1982 High, Low, Stock, and April 25 price.

HOLLAND

Table of Dutch stock prices including columns for 1982 High, Low, Stock, and April 25 price.

HONGKONG

Table of Hong Kong stock prices including columns for 1982 High, Low, Stock, and April 25 price.

1982 High Low Stock April 25

Table of 1982 High, Low, Stock, and April 25 prices for various companies.

1982 High Low Stock April 25

Table of 1982 High, Low, Stock, and April 25 prices for various companies.

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Table of 1982 High, Low, Stock, and April 25 prices for various companies.

1982 High Low Stock April 25

Table of 1982 High, Low, Stock, and April 25 prices for various companies.

INDICES

Table of various stock indices including Dow Jones, Standard and Poors, and others.

1982 High Low Stock April 25

Table of 1982 High, Low, Stock, and April 25 prices for various companies.

1982 High Low Stock April 25

Table of 1982 High, Low, Stock, and April 25 prices for various companies.

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Table of 1982 High, Low, Stock, and April 25 prices for various companies.

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1982 High Low Stock April 25

Table of 1982 High, Low, Stock, and April 25 prices for various companies.

Financial Times World Stock Markets section containing various market news, analysis, and company announcements.

CURRENCIES, MONEY and GOLD

MONEY MARKETS

Becalmed near the Falklands

THE LONDON money market lacked any real momentum or direction last week as traders waited nervously for further developments in the Falklands dispute.

Fixed period interest rates had a slightly softer tone, but seven-day money rose to 13 1/2 per cent from 13 1/8 per cent as the artificially low level of overnight money tended to abate.

ing money pushed down the rates at the very short end of the interbank market.

Only after the Bank of England refused the lower bids at the Treasury bill tender on April 15 was the market's nerve restored, as the move to cut the size of the tender was taken to be a signal that there is no need at present to lift domestic interest rates in response to events in the South Atlantic.

Against this background rates tended to drift off last week, with the Bank of England helping to keep matters calm by its help to the money market. According to official figures the total shortage was just over £2bn, although the total amount of bills bought from the market fell some way short of this figure. But there appeared to be little pressure on the system, suggesting that

money was certainly finding its way to the necessary quarters.

Elsewhere in Europe there was some expectation of a cut in the German Bundesbank special Lombard rate back to the 9 per cent level at which the regular Lombard rate was suspended in February last year. There were no changes in interest rates or credit policies at Thursday's central bank meeting however, but in France rates did decline during the week. Paris call money fell to 16 1/2 per cent from 16 3/4 per cent, while the Bank of France intervention rate — the level at which the central bank buys paper to inject money market liquidity — was cut to 16 per cent from 17 per cent.

WEEKLY CHANGE IN WORLD INTEREST RATES

Table showing weekly change in world interest rates for London, New York, Tokyo, and Amsterdam, including rates for various terms and currencies.

Table showing London money rates for various currencies and terms, including Sterling, US Dollars, and others.

London-based 14 bills mature in up to 14 days, band 2 bills to 33 days, and band 3 bills to 63 days. Rates quoted represent Bank of England buying or selling rates with the money market, and are generally subject to change in the domestic money market, and their respective changes during the week. *Band 4 12 1/2-13 1/2.

BANK OF ENGLAND TREASURY BILL TENDER

Table showing Bank of England Treasury Bill tender results for April 23 and April 16, including bids and accepted amounts.

FT LONDON

INTERBANK FIXING

Table showing interbank fixing rates for 3 months and 6 months US dollars, including bid and offer rates.

LONDON MONEY RATES

Table showing London money rates for various currencies and terms, including Sterling, US Dollars, and others.

Local authorities and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rates nominally three years 14 per cent, four years 13 1/2 per cent, five years 13 per cent. *Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 12 1/2-13 1/2 per cent, four months trade bills 13 1/2 per cent.

EURO-CURRENCY INTEREST RATES (Market closing rates)

Table showing Euro-currency interest rates for various currencies and terms, including Sterling, US Dollars, and others.

CURRENCIES AND GOLD

£ and \$ easier

STERLING continued to suffer from the influence of the Falkland Islands crisis, losing ground to the major European currencies, and the Japanese yen, but improving slightly against the dollar, as the U.S. currency weakened on interest rate considerations.

The dollar's trade-weighted index fell to 114.9 from 115.3, as it declined to DM 2.8570 from DM 2.8215, to FF 6.24 from FF 6.30, to SwFr 1.9680 from SwFr 1.9750, and to Y241.30 from Y247.70.

GOLD MARKETS

Gold was not in demand on the west coast of the London futures market opened. The metal fell \$10 to \$382.50 despite nerves about the Falklands crisis and clashes between Israel and Syria over the Lebanon.

OTHER CURRENCIES

Argentine Peso, Australian Dollar, Canadian Dollar, Danish Krone, Deutsche Mark, French Franc, Hong Kong Dollar, Italian Lira, Japanese Yen, Kuwaiti Dinar, Luxembourg Franc, Malaysian Dollar, New Zealand Dollar, Saudi Arabia Riyal, Singapore Dollar, South African Rand, U.A.E. Dirham.

EXCHANGE CROSS RATES

Table showing exchange cross rates for various currencies, including Pound Sterling, US Dollar, Deutsche Mark, Japanese Yen, French Franc, Swiss Franc, Dutch Guilder, Italian Lira, Canadian Dollar, and Hong Kong Dollar.

THE DOLLAR SPOT AND FORWARD

Table showing the Dollar spot and forward rates for various currencies and terms, including Sterling, US Dollars, and others.

THE POUND SPOT AND FORWARD

Table showing the Pound spot and forward rates for various currencies and terms, including Sterling, US Dollars, and others.

FORWARD RATES AGAINST STERLING

Table showing forward rates against Sterling for various currencies and terms, including US Dollars, Deutsche Mark, French Franc, Swiss Franc, Japanese Yen, and others.

EMS EUROPEAN CURRENCY UNIT RATES

Table showing EMS European Currency Unit rates for various currencies and terms, including Deutsche Mark, French Franc, Italian Lira, Dutch Guilder, and others.

CURRENCY MOVEMENTS

Table showing currency movements for various currencies, including Sterling, US Dollars, Deutsche Mark, Japanese Yen, French Franc, Swiss Franc, Dutch Guilder, Italian Lira, Canadian Dollar, and Hong Kong Dollar.

CURRENCY RATES

Table showing currency rates for various currencies, including Sterling, US Dollars, Deutsche Mark, Japanese Yen, French Franc, Swiss Franc, Dutch Guilder, Italian Lira, Canadian Dollar, and Hong Kong Dollar.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED TRUSTS

Large table listing various authorized trusts and their managers, including names, addresses, and contact information.

INSURANCE

Arabic text at the bottom of the page.

INSURANCES

Table listing various insurance companies and their details, including names, addresses, and contact information.

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FT UNIT TRUST INFORMATION SERVICE

Large table containing FT Unit Trust Information Service data, listing various unit trusts, their managers, and performance metrics.

OFFSHORE AND OVERSEAS

Table listing offshore and overseas financial services, including bank names, locations, and services offered.

NOTES
Prices are in pounds sterling unless otherwise indicated and are subject to change without notice.

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FT SHARE INFORMATION SERVICE

FOOD, GROCERIES—Cont.

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

| Symbol | Company Name | Price | Change |
|--------|-------------------|-------|--------|
| 33 | 134 Treasury 1982 | 98.4 | 1.0 |
| 33 | 135 Treasury 1983 | 97.8 | 1.0 |
| 33 | 136 Treasury 1984 | 97.2 | 1.0 |
| 33 | 137 Treasury 1985 | 96.6 | 1.0 |
| 33 | 138 Treasury 1986 | 96.0 | 1.0 |
| 33 | 139 Treasury 1987 | 95.4 | 1.0 |
| 33 | 140 Treasury 1988 | 94.8 | 1.0 |
| 33 | 141 Treasury 1989 | 94.2 | 1.0 |
| 33 | 142 Treasury 1990 | 93.6 | 1.0 |
| 33 | 143 Treasury 1991 | 93.0 | 1.0 |
| 33 | 144 Treasury 1992 | 92.4 | 1.0 |
| 33 | 145 Treasury 1993 | 91.8 | 1.0 |
| 33 | 146 Treasury 1994 | 91.2 | 1.0 |
| 33 | 147 Treasury 1995 | 90.6 | 1.0 |
| 33 | 148 Treasury 1996 | 90.0 | 1.0 |
| 33 | 149 Treasury 1997 | 89.4 | 1.0 |
| 33 | 150 Treasury 1998 | 88.8 | 1.0 |
| 33 | 151 Treasury 1999 | 88.2 | 1.0 |
| 33 | 152 Treasury 2000 | 87.6 | 1.0 |
| 33 | 153 Treasury 2001 | 87.0 | 1.0 |
| 33 | 154 Treasury 2002 | 86.4 | 1.0 |
| 33 | 155 Treasury 2003 | 85.8 | 1.0 |
| 33 | 156 Treasury 2004 | 85.2 | 1.0 |
| 33 | 157 Treasury 2005 | 84.6 | 1.0 |
| 33 | 158 Treasury 2006 | 84.0 | 1.0 |
| 33 | 159 Treasury 2007 | 83.4 | 1.0 |
| 33 | 160 Treasury 2008 | 82.8 | 1.0 |
| 33 | 161 Treasury 2009 | 82.2 | 1.0 |
| 33 | 162 Treasury 2010 | 81.6 | 1.0 |
| 33 | 163 Treasury 2011 | 81.0 | 1.0 |
| 33 | 164 Treasury 2012 | 80.4 | 1.0 |
| 33 | 165 Treasury 2013 | 79.8 | 1.0 |
| 33 | 166 Treasury 2014 | 79.2 | 1.0 |
| 33 | 167 Treasury 2015 | 78.6 | 1.0 |
| 33 | 168 Treasury 2016 | 78.0 | 1.0 |
| 33 | 169 Treasury 2017 | 77.4 | 1.0 |
| 33 | 170 Treasury 2018 | 76.8 | 1.0 |
| 33 | 171 Treasury 2019 | 76.2 | 1.0 |
| 33 | 172 Treasury 2020 | 75.6 | 1.0 |
| 33 | 173 Treasury 2021 | 75.0 | 1.0 |
| 33 | 174 Treasury 2022 | 74.4 | 1.0 |
| 33 | 175 Treasury 2023 | 73.8 | 1.0 |
| 33 | 176 Treasury 2024 | 73.2 | 1.0 |
| 33 | 177 Treasury 2025 | 72.6 | 1.0 |
| 33 | 178 Treasury 2026 | 72.0 | 1.0 |
| 33 | 179 Treasury 2027 | 71.4 | 1.0 |
| 33 | 180 Treasury 2028 | 70.8 | 1.0 |
| 33 | 181 Treasury 2029 | 70.2 | 1.0 |
| 33 | 182 Treasury 2030 | 69.6 | 1.0 |

Five to Fifteen Years

| Symbol | Company Name | Price | Change |
|--------|------------------------|-------|--------|
| 33 | 183 Treasury 1982-1985 | 98.4 | 1.0 |
| 33 | 184 Treasury 1983-1986 | 97.8 | 1.0 |
| 33 | 185 Treasury 1984-1987 | 97.2 | 1.0 |
| 33 | 186 Treasury 1985-1988 | 96.6 | 1.0 |
| 33 | 187 Treasury 1986-1989 | 96.0 | 1.0 |
| 33 | 188 Treasury 1987-1990 | 95.4 | 1.0 |
| 33 | 189 Treasury 1988-1991 | 94.8 | 1.0 |
| 33 | 190 Treasury 1989-1992 | 94.2 | 1.0 |
| 33 | 191 Treasury 1990-1993 | 93.6 | 1.0 |
| 33 | 192 Treasury 1991-1994 | 93.0 | 1.0 |
| 33 | 193 Treasury 1992-1995 | 92.4 | 1.0 |
| 33 | 194 Treasury 1993-1996 | 91.8 | 1.0 |
| 33 | 195 Treasury 1994-1997 | 91.2 | 1.0 |
| 33 | 196 Treasury 1995-1998 | 90.6 | 1.0 |
| 33 | 197 Treasury 1996-1999 | 90.0 | 1.0 |
| 33 | 198 Treasury 1997-2000 | 89.4 | 1.0 |
| 33 | 199 Treasury 1998-2001 | 88.8 | 1.0 |
| 33 | 200 Treasury 1999-2002 | 88.2 | 1.0 |
| 33 | 201 Treasury 2000-2003 | 87.6 | 1.0 |
| 33 | 202 Treasury 2001-2004 | 87.0 | 1.0 |
| 33 | 203 Treasury 2002-2005 | 86.4 | 1.0 |
| 33 | 204 Treasury 2003-2006 | 85.8 | 1.0 |
| 33 | 205 Treasury 2004-2007 | 85.2 | 1.0 |
| 33 | 206 Treasury 2005-2008 | 84.6 | 1.0 |
| 33 | 207 Treasury 2006-2009 | 84.0 | 1.0 |
| 33 | 208 Treasury 2007-2010 | 83.4 | 1.0 |
| 33 | 209 Treasury 2008-2011 | 82.8 | 1.0 |
| 33 | 210 Treasury 2009-2012 | 82.2 | 1.0 |
| 33 | 211 Treasury 2010-2013 | 81.6 | 1.0 |
| 33 | 212 Treasury 2011-2014 | 81.0 | 1.0 |
| 33 | 213 Treasury 2012-2015 | 80.4 | 1.0 |
| 33 | 214 Treasury 2013-2016 | 79.8 | 1.0 |
| 33 | 215 Treasury 2014-2017 | 79.2 | 1.0 |
| 33 | 216 Treasury 2015-2018 | 78.6 | 1.0 |
| 33 | 217 Treasury 2016-2019 | 78.0 | 1.0 |
| 33 | 218 Treasury 2017-2020 | 77.4 | 1.0 |
| 33 | 219 Treasury 2018-2021 | 76.8 | 1.0 |
| 33 | 220 Treasury 2019-2022 | 76.2 | 1.0 |
| 33 | 221 Treasury 2020-2023 | 75.6 | 1.0 |
| 33 | 222 Treasury 2021-2024 | 75.0 | 1.0 |
| 33 | 223 Treasury 2022-2025 | 74.4 | 1.0 |
| 33 | 224 Treasury 2023-2026 | 73.8 | 1.0 |
| 33 | 225 Treasury 2024-2027 | 73.2 | 1.0 |
| 33 | 226 Treasury 2025-2028 | 72.6 | 1.0 |
| 33 | 227 Treasury 2026-2029 | 72.0 | 1.0 |
| 33 | 228 Treasury 2027-2030 | 71.4 | 1.0 |

Over Fifteen Years

| Symbol | Company Name | Price | Change |
|--------|------------------------|-------|--------|
| 33 | 229 Treasury 1982-1985 | 98.4 | 1.0 |
| 33 | 230 Treasury 1983-1986 | 97.8 | 1.0 |
| 33 | 231 Treasury 1984-1989 | 97.2 | 1.0 |
| 33 | 232 Treasury 1985-1990 | 96.6 | 1.0 |
| 33 | 233 Treasury 1986-1991 | 96.0 | 1.0 |
| 33 | 234 Treasury 1987-1992 | 95.4 | 1.0 |
| 33 | 235 Treasury 1988-1993 | 94.8 | 1.0 |
| 33 | 236 Treasury 1989-1994 | 94.2 | 1.0 |
| 33 | 237 Treasury 1990-1995 | 93.6 | 1.0 |
| 33 | 238 Treasury 1991-1996 | 93.0 | 1.0 |
| 33 | 239 Treasury 1992-1997 | 92.4 | 1.0 |
| 33 | 240 Treasury 1993-1998 | 91.8 | 1.0 |
| 33 | 241 Treasury 1994-1999 | 91.2 | 1.0 |
| 33 | 242 Treasury 1995-2000 | 90.6 | 1.0 |
| 33 | 243 Treasury 1996-2001 | 90.0 | 1.0 |
| 33 | 244 Treasury 1997-2002 | 89.4 | 1.0 |
| 33 | 245 Treasury 1998-2003 | 88.8 | 1.0 |
| 33 | 246 Treasury 1999-2004 | 88.2 | 1.0 |
| 33 | 247 Treasury 2000-2005 | 87.6 | 1.0 |
| 33 | 248 Treasury 2001-2006 | 87.0 | 1.0 |
| 33 | 249 Treasury 2002-2007 | 86.4 | 1.0 |
| 33 | 250 Treasury 2003-2008 | 85.8 | 1.0 |
| 33 | 251 Treasury 2004-2009 | 85.2 | 1.0 |
| 33 | 252 Treasury 2005-2010 | 84.6 | 1.0 |
| 33 | 253 Treasury 2006-2011 | 84.0 | 1.0 |
| 33 | 254 Treasury 2007-2012 | 83.4 | 1.0 |
| 33 | 255 Treasury 2008-2013 | 82.8 | 1.0 |
| 33 | 256 Treasury 2009-2014 | 82.2 | 1.0 |
| 33 | 257 Treasury 2010-2015 | 81.6 | 1.0 |
| 33 | 258 Treasury 2011-2016 | 81.0 | 1.0 |
| 33 | 259 Treasury 2012-2017 | 80.4 | 1.0 |
| 33 | 260 Treasury 2013-2018 | 79.8 | 1.0 |
| 33 | 261 Treasury 2014-2019 | 79.2 | 1.0 |
| 33 | 262 Treasury 2015-2020 | 78.6 | 1.0 |
| 33 | 263 Treasury 2016-2021 | 78.0 | 1.0 |
| 33 | 264 Treasury 2017-2022 | 77.4 | 1.0 |
| 33 | 265 Treasury 2018-2023 | 76.8 | 1.0 |
| 33 | 266 Treasury 2019-2024 | 76.2 | 1.0 |
| 33 | 267 Treasury 2020-2025 | 75.6 | 1.0 |
| 33 | 268 Treasury 2021-2026 | 75.0 | 1.0 |
| 33 | 269 Treasury 2022-2027 | 74.4 | 1.0 |
| 33 | 270 Treasury 2023-2028 | 73.8 | 1.0 |

Undated

| Symbol | Company Name | Price | Change |
|--------|------------------------|-------|--------|
| 33 | 271 Treasury 1982-1985 | 98.4 | 1.0 |
| 33 | 272 Treasury 1983-1986 | 97.8 | 1.0 |
| 33 | 273 Treasury 1984-1989 | 97.2 | 1.0 |
| 33 | 274 Treasury 1985-1990 | 96.6 | 1.0 |
| 33 | 275 Treasury 1986-1991 | 96.0 | 1.0 |
| 33 | 276 Treasury 1987-1992 | 95.4 | 1.0 |
| 33 | 277 Treasury 1988-1993 | 94.8 | 1.0 |
| 33 | 278 Treasury 1989-1994 | 94.2 | 1.0 |
| 33 | 279 Treasury 1990-1995 | 93.6 | 1.0 |
| 33 | 280 Treasury 1991-1996 | 93.0 | 1.0 |
| 33 | 281 Treasury 1992-1997 | 92.4 | 1.0 |
| 33 | 282 Treasury 1993-1998 | 91.8 | 1.0 |
| 33 | 283 Treasury 1994-1999 | 91.2 | 1.0 |
| 33 | 284 Treasury 1995-2000 | 90.6 | 1.0 |
| 33 | 285 Treasury 1996-2001 | 90.0 | 1.0 |
| 33 | 286 Treasury 1997-2002 | 89.4 | 1.0 |
| 33 | 287 Treasury 1998-2003 | 88.8 | 1.0 |
| 33 | 288 Treasury 1999-2004 | 88.2 | 1.0 |
| 33 | 289 Treasury 2000-2005 | 87.6 | 1.0 |
| 33 | 290 Treasury 2001-2006 | 87.0 | 1.0 |
| 33 | 291 Treasury 2002-2007 | 86.4 | 1.0 |
| 33 | 292 Treasury 2003-2008 | 85.8 | 1.0 |
| 33 | 293 Treasury 2004-2009 | 85.2 | 1.0 |
| 33 | 294 Treasury 2005-2010 | 84.6 | 1.0 |
| 33 | 295 Treasury 2006-2011 | 84.0 | 1.0 |
| 33 | 296 Treasury 2007-2012 | 83.4 | 1.0 |
| 33 | 297 Treasury 2008-2013 | 82.8 | 1.0 |
| 33 | 298 Treasury 2009-2014 | 82.2 | 1.0 |
| 33 | 299 Treasury 2010-2015 | 81.6 | 1.0 |
| 33 | 300 Treasury 2011-2016 | 81.0 | 1.0 |

Index-Linked & Variable Rate

| Symbol | Company Name | Price | Change |
|--------|------------------------|-------|--------|
| 33 | 301 Treasury 1982-1985 | 98.4 | 1.0 |
| 33 | 302 Treasury 1983-1986 | 97.8 | 1.0 |
| 33 | 303 Treasury 1984-1989 | 97.2 | 1.0 |
| 33 | 304 Treasury 1985-1990 | 96.6 | 1.0 |
| 33 | 305 Treasury 1986-1991 | 96.0 | 1.0 |
| 33 | 306 Treasury 1987-1992 | 95.4 | 1.0 |
| 33 | 307 Treasury 1988-1993 | 94.8 | 1.0 |
| 33 | 308 Treasury 1989-1994 | 94.2 | 1.0 |
| 33 | 309 Treasury 1990-1995 | 93.6 | 1.0 |
| 33 | 310 Treasury 1991-1996 | 93.0 | 1.0 |
| 33 | 311 Treasury 1992-1997 | 92.4 | 1.0 |
| 33 | 312 Treasury 1993-1998 | 91.8 | 1.0 |
| 33 | 313 Treasury 1994-1999 | 91.2 | 1.0 |
| 33 | 314 Treasury 1995-2000 | 90.6 | 1.0 |
| 33 | 315 Treasury 1996-2001 | 90.0 | 1.0 |
| 33 | 316 Treasury 1997-2002 | 89.4 | 1.0 |
| 33 | 317 Treasury 1998-2003 | 88.8 | 1.0 |
| 33 | 318 Treasury 1999-2004 | 88.2 | 1.0 |
| 33 | 319 Treasury 2000-2005 | 87.6 | 1.0 |
| 33 | 320 Treasury 2001-2006 | 87.0 | 1.0 |
| 33 | 321 Treasury 2002-2007 | 86.4 | 1.0 |
| 33 | 322 Treasury 2003-2008 | 85.8 | 1.0 |
| 33 | 323 Treasury 2004-2009 | 85.2 | 1.0 |
| 33 | 324 Treasury 2005-2010 | 84.6 | 1.0 |
| 33 | 325 Treasury 2006-2011 | 84.0 | 1.0 |
| 33 | 326 Treasury 2007-2012 | 83.4 | 1.0 |
| 33 | 327 Treasury 2008-2013 | 82.8 | 1.0 |
| 33 | 328 Treasury 2009-2014 | 82.2 | 1.0 |
| 33 | 329 Treasury 2010-2015 | 81.6 | 1.0 |
| 33 | 330 Treasury 2011-2016 | 81.0 | 1.0 |

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

| Symbol | Company Name | Price | Change |
|--------|------------------------|-------|--------|
| 33 | 331 Treasury 1982-1985 | 98.4 | 1.0 |
| 33 | 332 Treasury 1983-1986 | 97.8 | 1.0 |
| 33 | 333 Treasury 1984-1989 | 97.2 | 1.0 |
| 33 | 334 Treasury 1985-1990 | 96.6 | 1.0 |
| 33 | 335 Treasury 1986-1991 | 96.0 | 1.0 |
| 33 | 336 Treasury 1987-1992 | 95.4 | 1.0 |
| 33 | 337 Treasury 1988-1993 | 94.8 | 1.0 |
| 33 | 338 Treasury 1989-1994 | 94.2 | 1.0 |
| 33 | 339 Treasury 1990-1995 | 93.6 | 1.0 |
| 33 | 340 Treasury 1991-1996 | 93.0 | 1.0 |
| 33 | 341 Treasury 1992-1997 | 92.4 | 1.0 |
| 33 | 342 Treasury 1993-1998 | 91.8 | 1.0 |
| 33 | 343 Treasury 1994-1999 | 91.2 | 1.0 |
| 33 | 344 Treasury 1995-2000 | 90.6 | 1.0 |
| 33 | 345 Treasury 1996-2001 | 90.0 | 1.0 |
| 33 | 346 Treasury 1997-2002 | 89.4 | 1.0 |

INDUSTRIALS—Continued

Table of industrial stocks including companies like Anglo American, Anglo Coal, Anglo Oil, Anglo Steel, Anglo Textiles, Anglo Tobacco, Anglo Trusts, Anglo Finance, Anglo Land, Anglo Property, Anglo Insurance, Anglo Leisure, Anglo Motors, Anglo Aircraft, Anglo Shipping, Anglo Shoes, Anglo South Africans, Anglo Textiles, Anglo Rubbers, Anglo Teas, Anglo Mines, Anglo Regional, Anglo Options, Anglo 3-month Call Rates, Anglo Diamond and Platinum.

LEISURE—Continued

Table of leisure stocks including companies like Anglo Leisure, Anglo Motors, Anglo Aircraft, Anglo Shipping, Anglo Shoes, Anglo South Africans, Anglo Textiles, Anglo Rubbers, Anglo Teas, Anglo Mines, Anglo Regional, Anglo Options, Anglo 3-month Call Rates, Anglo Diamond and Platinum.

PROPERTY—Continued

Table of property stocks including companies like Anglo Property, Anglo Finance, Anglo Land, Anglo Insurance, Anglo Leisure, Anglo Motors, Anglo Aircraft, Anglo Shipping, Anglo Shoes, Anglo South Africans, Anglo Textiles, Anglo Rubbers, Anglo Teas, Anglo Mines, Anglo Regional, Anglo Options, Anglo 3-month Call Rates, Anglo Diamond and Platinum.

INVESTMENT TRUSTS—Cont.

Table of investment trusts including companies like Anglo Investment Trusts, Anglo Finance, Anglo Land, Anglo Insurance, Anglo Leisure, Anglo Motors, Anglo Aircraft, Anglo Shipping, Anglo Shoes, Anglo South Africans, Anglo Textiles, Anglo Rubbers, Anglo Teas, Anglo Mines, Anglo Regional, Anglo Options, Anglo 3-month Call Rates, Anglo Diamond and Platinum.

OIL AND GAS—Continued

Table of oil and gas stocks including companies like Anglo Oil, Anglo Gas, Anglo Finance, Anglo Land, Anglo Insurance, Anglo Leisure, Anglo Motors, Anglo Aircraft, Anglo Shipping, Anglo Shoes, Anglo South Africans, Anglo Textiles, Anglo Rubbers, Anglo Teas, Anglo Mines, Anglo Regional, Anglo Options, Anglo 3-month Call Rates, Anglo Diamond and Platinum.

NIPPON KANGYO KAKUMARU SECURITIES TOKYO, JAPAN. London: Kanryo Kakumaru (London) Ltd. 638 4871. Geneva: Kanryo Kakumaru (Geneva) Ltd. 251060. Paris: Tel. 296-5401. Frankfurt: Tel. 72 08 81.

MINES—Continued

Table of mines stocks including companies like Anglo Mines, Anglo Regional, Anglo Options, Anglo 3-month Call Rates, Anglo Diamond and Platinum.

NOTES

Unless otherwise indicated, prices and not dividends are in pence and commissions are 25c. Prices are based on the London market and are subject to change without notice. Dividends are in pence unless otherwise stated. Dividends are in pence unless otherwise stated.

REGIONAL MARKETS

Table of regional markets including Anglo Regional, Anglo Options, Anglo 3-month Call Rates, Anglo Diamond and Platinum.

OPTIONS

Table of options including Anglo Options, Anglo 3-month Call Rates, Anglo Diamond and Platinum.

3-month Call Rates

Table of 3-month call rates including Anglo 3-month Call Rates, Anglo Diamond and Platinum.

Diamond and Platinum

Table of diamond and platinum including Anglo Diamond and Platinum, Anglo Options, Anglo 3-month Call Rates.

RECENT ISSUES and "Rights" Page 18

This service is available to every company dealt in on the Stock Exchanges throughout the United Kingdom for a fee of £500 per annum plus the cost of this security.



FINANCIAL TIMES

Monday April 26 1982

Property Investment, Development and Construction. Rush & Tompkins 01-300 3388

BR predicts £165m loss in 1982

BY PHILIP BASSETT AND HAZEL DUFFY

BRITISH RAIL is forecasting a loss of £165m for 1982. The projection comes on the eve of BR's announcement of gloomy results for 1981, and as the rail industry awaits the crucial outcome of the arbitration hearing into the train drivers' productivity dispute.

BR will announce its financial results for 1981 on Wednesday. The 1981 loss was expected to come out at a little under £50m, compared with £76.9m in 1980. But the final result may show some improvement on this figure.

However, British Rail's results will emphasise the industry's dire financial position. Its annual report will show that total passenger income for 1981 was £1,031.8m—almost £95m below the BR Board's original budget forecast.

Despite an average increase in fares of 18.5 per cent, this represents an increase of only about 3 per cent on 1980 passenger income. This is mainly because of the recession, increased competition from coaches and a lower yield than expected from the November

1980 fares rise. The worst passenger results were in the summer, with takings about 15 per cent below budget. Overall, the volume of passenger business in 1981 was down by about 3 per cent on 1980. BR estimates that the Government's deregulation of coach licensing cost the railways about £10m in lost passenger business.

Parcels revenue fell from £140.8m in 1980 to £130m last year, due almost entirely to the withdrawal of parcels' collection and delivery. Income was £11m down on budget projections. Premium parcels staged a recovery during the year, pulling back from about 20 per cent down in volume to end the year at only about 5 per cent down on 1980.

Even though BR carried 154m tonnes of freight in 1981, some 5m tonnes more than planned, freight receipts at £513m were £10m less than forecast. Most of the extra volume came from exports of coal and steel, though the domestic freight market stayed depressed.

BR's Freightliner service sustained a difficult year, with

an estimated net loss of about £200,000.

Most of these figures have been worsened by the impact of the train drivers' strike, which lost BR £95m in revenue (passenger, £60m; freight, £20m; parcels, £12m; and freightliners, £3m).

The strike has forced BR to exceed its external financing limit by £39m, which will have to be recovered in 1982-83. This, coupled with the longer-term consequences of the strikes, has produced a projected trading loss for 1982 of £144m, based on the first two months' figures.

This figure rises to £165m because of the effect of the Government's announcement on the level of BR's Public Service Obligation grant for passenger services. At £884m, this is £21m below the board's assumption and £98m less than BR's PSO claim.

On top of this, BR estimates that up to a further £70m may be lost in 1982 as a result of the drivers' strikes, bringing the total up to £173m. Business has fallen; in the first week after the dispute, passenger

revenue was 23 per cent below budget and even now it is about 18 per cent below expectation.

Against this financial background, BR is awaiting the result of the arbitration hearing chaired by Lord McCarthy into the strikes by the Associated Society of Locomotive Engineers and Firemen over flexible rostering.

The McCarthy report is expected shortly. Once it has been delivered, BR's three unions will place further pressure on the board's finances by seeking an early reply to their 1982 pay claims. If met in full these could cost £170m.

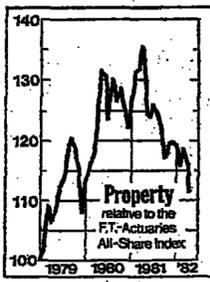
BR has called a two-day financial summit meeting with its unions for late May or early June. It is hoped that by then sufficient progress will have been made on productivity to allow BR to approach the Government for help on further electrification.

BR has currently asked for approval in principle of the electrification of the East Coast main line, at a net outlay of £212m, and of the route between Hitchin and Huntingdon, at a cost of nearly £14m.

THE LEX COLUMN

Not so hot in property

Over the past year the property sector has displayed one of the weakest trends in the market, with a decline exceeded only by the discount houses, overseas traders, mechanical engineers and motors. While the All-Share Index has slipped by less than 1 per cent in the period, the property share index is 13 1/2 per cent lower.



shop yield of 3 1/2 per cent allows little in the way of discount for risk, let alone for reinvestment costs.

So, even though conventional gilt-edged prices have risen since the beginning of the year, and appear likely to move ahead further if the Falklands affair is satisfactorily concluded, falling long bond yields may not have their traditional impact on the valuation of property. Similarly the narrowing of the difference between the yields on property shares and industrial equities is not necessarily a bullish signal for property.

So investors have seen a real decline in their holdings in this supposedly inflation-proof sector of more than 20 per cent, even after allowing for dividend payments. The estimated discount to underlying asset values has widened from about 15 per cent to about 35 per cent, and the yield offered by many shares now exceeds that available on direct ownership of similar property portfolios.

Its prime city-centre sites. Meanwhile, to the extent that it relies on increased employment, the office development market will also be a late beneficiary of the cycle. Equally, for London there seems no obvious successor to the international banking community, whose entry has underpinned rising rents for 15 years.

The profits of most property companies have a healthy trend built in as reversionary reviews based on past trends buoyancy come through. But investors pay far more attention to asset valuations as a pointer to future profitability. Balance sheets are now generally very conservatively financed, so there is not going to be a rerun of the crashes of the mid-1970s. But the companies seem determined to keep on expanding, regardless of the delicate condition of the property market itself.

Prime yields

So far reported yields on prime property have held stable at the low levels reached in the last couple of years. The latest figures—to the end of 1981—show that prime investment yields on shops held steady at 7 1/2 per cent even after the September rise in interest rates. But property share prices—which showed some of the sharpest reactions recently to development in the South Atlantic—are clearly discounting adverse developments this year in the direct property market. Whether the shares are discounting enough is a judgment over which there is an unusually sharp division among City analysts.

Yields are already rising for lower quality property. So far the principal effect of the top of the market has been, as usual, to narrow the definition of what constitutes "prime" property. But at their present low level, yields cannot indefinitely go on defying the implications of rental growth running below inflation. So there is a strong chance of prime property yields rising, which would result in property devaluations, whether acknowledged in published accounts or not.

Rights issues

They have surmounted the obstacle of high interest rates by resorting to rights issues. Most big companies have issued a tranche of equity since 1979, and a second round appears to have got under way since last December, with fresh issues from Hammerson, Baskerville Estates and Belfrage. The newly raised money will be used for a variety of purposes, which range from the purchase of shares to the acquisition of property. This effectively disqualifies the purchase of rental property and the undertaking of competitive developments. Yet companies are clearly planning to do more with their cash, taking them improve the quality of their own property portfolios.

In fact asset writedowns are already being seen for lower quality property. Last week, for instance, Delta incorporated a small deviation in its balance sheet. Another element that may be adding to institutional disenchantment with property is the narrow development margin that has become typical. Several institutions have burnt their fingers by taking on riskier projects and finding all their margin and more swallowed up by extra interest costs caused by an unexpected delay in finding tenants. The changing psychology suggests that weight of money can no longer be relied on to prop up yields. Meanwhile, the Government has changed the rules of the inflation hedging game. Index linked bonds are now available to all and offer a wide range of maturities. So an institution can purchase a risk-free real return of 2 1/2 per cent extending for nearly 30 years. A prime

BA pre-privatisation plan expected soon

BY MICHAEL DONNE

FURTHER MEASURES for the long-term re-organisation of British Airways in preparation for eventual "privatisation" are expected to be announced this week by Sir John King, chairman.

One plan expected to be announced is the creation of "profit centres" for the three main parts of the airline—the long-haul division, the European short-haul and domestic operations, and services from Gatwick Airport.

This will not go as far as "unscrambling" the airline into its original parts—British Overseas Airways Corporation and British European Airways—but is intended to give the existing areas of operation more freedom in their day-to-day activities.

Each profit centre will have its own operational board of management and managing director. But each division will still report to the main executive board which in turn will be responsible to the top-level board of directors. Some major parts of the airline—ground operations, the management of flight operations and engineering activities—will continue to operate across the board.

Plans for a return to a divisional type of structure are believed to have been mentioned in the private report on the airline's financial structure city accountants Price Waterhouse prepared at Sir John's request. The report has never been published and is not likely to be.

Sir John is believed to feel that many of the report's recommendations are worth implementing. The new profit centre idea, for example, is expected to give the top management much closer control over the day-to-day activities while stimulating morale and helping the airline to lay its way back to profitability after the heavy losses of the past two years.

British Airways incurred a post-tax loss of £145m in 1980-1981, and is believed to have incurred a further loss of well over £200m in the year to end March last. Much of this is due to the heavy severance payments totalling over £100m paid to more than 9,000 staff who left the airline recently under the plan to reduce numbers to about 42,000.

Mr Roy Watts, deputy chairman and chief executive, said recently that the retrenchment plan, which had included cut-out routes, selling aircraft and disposing of some properties, had already improved the airline's cash flow by about £150m a year. This improvement was expected to continue.

Sir John is believed to feel strongly that only when the airline is back into regular profits with a stable future will it be possible to consider selling any shares to the public.

The retrenchment measures were designed to cope with the airline's operational problems. The plans to be announced this week are intended to correct the airline's organisational structure.

Cast wins £113m rescue package

By Andrew Fisher, Shipping Correspondent

CAST, the troubled Swiss-based shipping group headed by Mr Frank Narby, has avoided financial collapse by agreeing a rescue package worth nearly £200m (£113m at current rates). It ran into acute cash flow difficulties this year as world freight rates were depressed and the Canadian-controlled group was in the middle of a \$430m fleet expansion.

Cast is the first major shipping company to approach the financial brink in the present slump in dry cargo rates.

Mr Narby has pushed Cast into rapid growth in recent years, operating across the Atlantic outside the rate-setting shipping conferences and carrying both bulk cargoes, such as coal, and containers.

Under the package, Cast is to receive \$154m from the sale of shares and other assets, most of which it will lease back.

Its Canadian banks, Royal Bank of Canada and Bank of Montreal, will acquire these assets, along with Canadian National Railways (CNR). The banks are also making \$40m available for two years.

Mr Narby says one of Cast's problems is CNR's refusal in January to use its option to raise its 18 per cent stake in EuroCanadian Shippings, Cast's Bermudan parent.

In the present package, however, CNR has taken an option to buy 75 per cent of the Cast container business, comprising containers and transport facilities. Previously, Mr Narby planned to sell half of its North Atlantic container business for over \$100m.

Cast did not specify which assets it was selling and leasing back. Included in the \$154m figure is \$40m represented by the cancellation of a loan by Chemical Bank of the U.S. in return for taking over three ships from Cast.

As a result of the package, said Mr Narby, Cast had obtained an increase in assets and a rearrangement of our existing short- and long-term bank financing.

Last year's harvest of several weeks of negotiations in London and Montreal. The Company's shipbuilding programme at yards in South Korea and Yugoslavia can now continue.

The most immediate cash problem was over payments on three 150,000 deadweight ton bulk carriers being built in Korea. Cast is now taking delivery of six container/bulk carriers for the North Atlantic.

Nigeria

in the UK. Average four star prices are running at about 162/163p a gallon. A month ago they were hovering round the 155p a gallon mark.

But the oil companies, which have been making heavy losses on their refining operations because of the drop in demand and the longstanding petrol price war, say further increases at the pumps will be necessary before their businesses are restored to reasonable levels of profitability.

At present, however, they are continuing to take a comparatively cautious line over oil product price rises. There appear to be two main reasons for this: There are still worries that the stabilisation of Opec's crude price structure and the increase in spot market prices could be short-lived. Today's edition of the authoritative London Oil Reports says Opec countries are expected to continue suffering "breath-taking declines in oil income" unless they lower their official prices or make yet more cuts in crude production.

It also warns that many oilmen do not think the new, higher spot market prices will be maintained for long. It quotes traders as saying that last week's spot price rises were on very small volumes of crude.

Some of the oil companies are evidently concerned about the impact of the Falklands crisis on the pound/dollar exchange rate. This is apparently inhibiting demands for a rise in the official market price of North Sea crude. The oil majors fear a North Sea crude price increase could rebound on them in the form of an adverse exchange rate.

First-quarter Soviet output slumps

BY ANTHONY ROBINSON, MOSCOW CORRESPONDENT

THE CONTRACTION of Soviet economic growth accelerated during the first quarter of the year, amid signs of acute Government concern over bad performance in key industrial and agricultural sectors.

Industrial output in the first three months rose by 2.1 per cent—at a rate less than half that needed to meet the target of 4.7 per cent growth this year.

Labour productivity, one of the keys to growth in an economy where the inefficient use of labour and declining birthrates have created a major artificial labour shortage, rose by 1.5 per cent.

This was well below the 2.4 per cent rise in average wages and only one third of the increase aimed for this year.

Raising labour productivity is a priority in the current five-year plan.

The latest figures show that the output of automatic machinery and robots rose 90 per cent over the first quarter.

The total output of such machines, however, was only 1.125 units for the whole Soviet economy—a figure which re-

fects how little progress has been made in this sector.

Confirmation that Soviet oil production has flattened out came with figures showing output at 12m barrels a day, virtually the same as in the first quarter last year.

The natural gas industry, however, confirmed its position as a consistent high-flyer with an above-plan 7 per cent rise in output to 125bn cubic metres. Coal output stagnated at 168m tonnes.

Some of the worst figures were from the most basic industrial sectors. Steel output fell yet again by 3 per cent to 36.5m tonnes. Cement production dropped 9 per cent to 28.5m tonnes and reinforced concrete by 4 per cent to 29m cubic metres.

Output of both ferrous and non-ferrous metals also fell by 3 and 2 per cent respectively. The country which possesses the most extensive forestry in the world also failed to meet its paper output target again and the 5 per cent drop to 1.3m tonnes ensures that the acute

paper shortage will continue.

In the politically sensitive food sector, meat output dropped another 2 per cent to 2.1m tonnes. The supply of animal fats dropped 5 per cent.

Last year's harvest was the third bad one in a row. Estimated grain output at 160m tonnes is well below livestock feed requirements, even when the expected 44m tonnes of imported grain are included.

Output of milk products continued to fall by another 1 per cent from previous lower levels. Top priority is now being given to raising output of agricultural machinery. This is reflected in an 8 per cent rise in combine harvester production. A sharp rise in the output of maize harvesters disguise the fact that actual production was only 400 units, showing again the low starting level. Tractor output rose 1 per cent.

Long standing plans to try to raise mineral fertiliser production were also disappointing. Fertiliser output at 6.7m tonnes was below target.

Production of long neglected herbicides and pesticides rose 6 per cent to 137,000 tonnes.

Israel leaves Sinai in 'last concession'

BY DAVID LENNON IN TEL AVIV

ISRAEL FOLDED its flag and quietly departed from Eastern Sinai yesterday, 15 years after capturing the area from Egypt and three years exactly since the two countries signed their historic peace treaty.

Mr Ariel Sharon, Defence Minister, said in his order of the day to the army that with the handover of Sinai to Egypt, Israel had reached the end of its concessions.

el-Sheikh at the southern tip of the peninsula marked the occasion on the Israeli side.

Weeping Israeli soldiers sang the national anthem as they marked their last moments in Sinai.

Mr Begin also sent a telegram to Mrs Jihan Sadat, the widow of President Anwar Sadat. He wrote that the late president "should have been with us to see the realisation of his efforts to create peace and reconciliation between the peoples of Egypt and Israel."

With the re-establishment of the international frontier between Egypt and Israel, the two countries opened two new border crossing points and in the afternoon some tourists managed to cross over.

One key effect on the new measures will be to change the "rules of engagement" for Rear Admiral Woodward, commander of the task force. Hitherto he has been told he can only fire first within the MEZ.

In one West Bank town, demonstrators stormed a police station, injuring a policeman. But PLO supporters call for another commercial strike were largely ignored by the merchants, who have already lost considerable business during those of the past month. RUF opens over; Cairo's return to Arab fold, Page 2

Weather

DRY with sunny periods after the clearing of early morning fog patches, but rather cloudy, perhaps with a little drizzle, over eastern areas.

London, the Midlands, S. England, N. England

Dry with sunny periods, but rather cloudy at times. Max 18C (64F).

S.E. England, E. Anglia, Channel Isles

Mainly dry but cloudy near coasts, perhaps with drizzle. Max 15C (59F).

E. and N.E. England, Borders

Sunny periods, but rather cloudy at times near coasts. Max 16C (61F).

Wales, Lakes, N.W. England

Dry and sunny. Max 18C (64F).

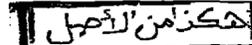
Scotland, N. Ireland

Dry with sunny periods after early fog patches. Max 14C (57F).

Outlook: Mostly dry and warm, but cooler with rain in the north later.

Table with 3 columns: City, Day, Night. Lists weather forecasts for various cities like Algiers, Athens, Buenos Aires, etc.

Advertisement for 'A Capital Builder' by Bovis Construction Limited. Includes text: 'It's a poor day for a new (or renovated) building investment when the builder is called in last.' and contact details for Bovis Construction Limited.



Vertical strip of various small advertisements on the far right edge of the page, including 'For res...', 'NE...', 'GENERAL', 'Israe...', 'fire', 'Pale...', 'prote...', 'NHS str...', 'Vienna', 'Activis...', 'Korchno...', 'Aborigin...', 'Pole win...', 'Volcano', 'Women', 'Chinese', 'Briefly', 'CHIEF PR...', 'RIST', 'The Pr...', 'Lar...', 'Dane...', 'Vaha...', 'Rita...', 'The Pr...', 'Lar...', 'Dane...', 'Vaha...', 'Rita...', 'The Pr...', 'Lar...', 'Dane...', 'Vaha...', 'Rita...'.